

**Attachment 1**

# *Wilshire Consulting*

***Executive Summary of Performance  
Prepared for***

***California Public Employees' Retirement System***

***California Affiliate***

- ***Judges II***
- ***Long-Term Care***
- ***Volunteer Firefighters***

***California Legislators' Fund***

***California Employer's Retiree Benefit Trust***

***California Supplemental Income Plans***

***Fourth Quarter 2010***



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## Capital Market Overview

The U.S. stock market ended 2010 with strong gains, building upon the rally that began in September and besting most other broad public securities markets for the year. U.S. stocks overcame multiple headwinds along the way, including an economy undergoing a spotty recovery from recession, a domestic real estate market that is still struggling to find a solid bottom, and stubbornly high domestic unemployment. U.S. real GDP growth picked up somewhat to an annual rate of 2.3% in the third quarter, versus the 1.7% annual rate seen in the second quarter. However, residential real estate markets are experiencing a slowdown; the Standard & Poor's Case-Schiller 20-City Home Price Index has displayed price drops for the last four reporting months (July through October 2010), bringing its trailing twelve-month return ending October 31, 2010 to 0.80%. The official U.S. unemployment rate dropped 0.4% to 9.4% at year-end 2010, with the economy adding 1.1 million jobs over the year; an estimated 384,000 jobs were added in the fourth quarter alone (source: Bureau of Labor Statistics). Consumer-level inflation as measured by the Consumer Price Index (All Urban Consumers) picked up slightly in the fourth quarter with a rise of 0.34%, compared to the 0.22% increase in the third quarter. However, the 1.50% inflation rate for calendar 2010 is markedly lower than the 2.72% figure seen in 2009. Some of the inflationary pressure in the fourth quarter can be traced to surging energy commodity prices; crude oil jumped 14.27% to \$91.38 per barrel, while natural gas rose 13.82% to \$4.405 per million BTU. For the year, in contrast, oil's 15.15% rise, primarily fueled by late-year speculation in the futures markets, was offset by natural gas' 20.92% plunge, due to lower demand and discovery of vast new sources. Yet again, the Federal Reserve held past on their target Federal Funds rate range of 0.0-0.25% in response to the sluggish pace of the economic recovery. Additionally, the Fed announced a second round of quantitative easing (dubbed QE2), i.e., a buyback of Treasury debt to generate liquidity and economic activity. In response to QE2 and general profit-taking at year-end, long-term Treasury yields nudged up over the fourth quarter; nevertheless, Treasury yields were uniformly lower at year-end 2010 than at year-end 2009. Global equity markets outperformed fixed income for the fourth quarter and year, despite continued economic troubles in the European Community.

### U.S. Equity Market

The U.S. stock market's fourth quarter rally solidified gains for broad indexes. The Standard & Poor's 500 Index returned 10.76% for the fourth quarter and 15.05% for calendar 2010, but the Wilshire 5000 Total Market Index bested the S&P 500 with returns of 11.59% and 17.16% for the quarter and year, respectively. This marks two consecutive years of gains for the broad market, following the Wilshire 5000's 28.30% performance for calendar 2009. Small capitalization stocks surged during the quarter, as the Wilshire U.S. Small Cap Index jumped 16.32% versus a more than respectable 11.01% for the Wilshire U.S. Large Cap Index. Small caps were up an impressive 28.94% in 2010, nearly doubling up a 15.83% return for larger companies. Growth stocks outpaced value shares within large caps during the quarter (Wilshire U.S. Large Growth, 11.60%; Wilshire U.S. Large Value, 10.41%), narrowing the value group's advantage for the year (Wilshire U.S. Large Growth, 15.02%; Wilshire U.S. Large Value, 16.56%). The Wilshire U.S. Small Growth Index was the best performer among the four major style segments over both the quarter and year, posting returns of 16.66% and 31.08%, respectively. Wilshire 5000 sector performance (GICS classification) in the fourth quarter was, as in the third quarter, uniformly

positive. Energy and Materials shares led the pack with returns of 22.31% and 20.02% respectively. Utilities, with a 2.25% return for the quarter, were the laggards of the Wilshire 5000; Health Care shares were other notable underperformers, as these stocks were unable to overcome concerns over the looming impact of federal healthcare reform in the United States. Interestingly, Real Estate-related securities continued to outpace the U.S. residential real estate market's slump; the Wilshire U.S. Real Estate Securities Index returned 8.18% in the fourth quarter, capping a remarkable 29.12% run-up for all of 2010.

### **Fixed Income Market**

The fourth quarter of 2010, as noted above, found the U.S. Treasury yield curve moving upward from its levels on September 30, ending the quarter somewhat higher, but still well below the levels seen on December 31, 2009. Investor rotation into equities and higher-yielding debt instruments certainly contributed to the fourth quarter yield movement. The yield on two-year Treasuries rose 18 basis points over the fourth quarter to 0.60%, while that of thirty-year Treasuries jumped 64 bps to 4.37%, resulting in a markedly steeper yield curve overall. Nonetheless, the curve flattened from its December 31, 2009 structure; two-year yields dropped 56 bps while thirty-year yields slid only 27 bps. For the quarter, short-term Treasuries (Barclays 1-3 Year U.S. Treasury, 0.15%) outperformed long-term paper (Barclays U.S. Long Treasury, 8.16%); for the year, the reverse was the case, unsurprisingly (Barclays U.S. 1-3 Year Treasury, 2.39%; Barclays U.S. Long Treasury, 9.37%). Credits outperformed government-related paper, as investors continued to seek out higher yield in the current low-interest-rate market environment (Barclays U.S. Credit, 1.86% fourth quarter, 8.46% year; Barclays U.S. Government, 2.34% fourth quarter, 5.52% year). The lower duration of mortgage-backed securities allowed this sector to lead other U.S. investment-grade issuance in the fourth quarter, while lagging the other broad sectors for the year (Barclays U.S. MBS, 0.24% fourth quarter, 5.37% year). High yield speculative-grade bonds once again led U.S. bond markets for the quarter and year; over those periods the Barclays High Yield Index returned 3.22% and 15.11% respectively, easily besting the Barclays U.S. Aggregate's 1.30% and 6.54% respective returns.

### **Non-U.S. Markets**

Global stock markets ended 2010 on generally positive notes, despite economic and socio-political turmoil in several European countries, currency-tightening policies in China and a near-constant undercurrent of worries over the potential for a double-dip recession in the United States. The MSCI All Country World Index ex-U.S. (net dividends) returned 5.88% for the fourth quarter and 7.64% for the year in local currency terms; the U.S. dollar's overall weakness against major world currencies resulted in stronger return when converted to U.S. dollar terms (MSCI ACWI ex-U.S., 7.20% fourth quarter, 11.15% year). Developed markets overall posted solid gains (MSCI EAFE net, local currency: 5.62% fourth quarter 4.82% year; USD terms: 6.61% fourth quarter, 7.75% year), with Germany underpinning the Eurozone economies and counterbalancing losses in the troubled PIIGS countries (Portugal, Ireland, Italy, Greece and Spain), where financial company stocks took a severe thrashing (MSCI Europe, net, local currency terms: 4.98% fourth quarter, 6.84% year). Developed Pacific region stock market performance was held back for the year in local currency terms by Japan's relatively lackluster returns for the year (MSCI Pacific, net, local currency terms: 6.91% fourth quarter, 2.07% year); however, thanks to the Euro's weakness against the US dollar, the developed Pacific region's stock markets (MSCI Pacific, net,

USD terms: 10.64% fourth quarter, 15.92% year) outpaced those of developed Europe in dollar-converted terms (MSCI Europe, net, USD terms: 4.50% fourth quarter, 3.88% year). Emerging market stocks returned strong performance for 2010, besting developed market equities (MSCI Emerging Markets, net, local currency terms: 5.74% fourth quarter, 14.10% year; USD terms: 7.34% fourth quarter, 18.87% year). Global bond markets in the fourth quarter were impacted by profit-taking, general market rotation back into equities, and the unfolding sovereign debt crisis in Europe. However, Currency movements improved performance for U.S. dollar-based investors for the quarter and year (Barclays Global Aggregate ex-U.S.: dollar-hedged, 1.83% fourth quarter, 3.28% year; unhedged, 2.30% fourth quarter, 11.81% year).



## Summary of Index Returns

For Periods Ended December 31, 2010

	<b>Quarter</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
<b>Domestic Equity</b>					
Standard & Poor's 500	10.76%	15.05%	-2.87%	2.29%	1.41%
Wilshire 5000	11.59	17.16	-1.92	2.90	2.50
Wilshire 4500	15.31	28.43	2.37	5.44	6.15
Wilshire Large Cap	11.01	15.83	-2.61	2.59	1.80
Wilshire Small Cap	16.32	28.94	4.40	6.29	8.04
Wilshire Micro Cap	17.43	28.24	1.36	1.82	10.44
<b>Domestic Equity</b>					
Wilshire Large Value	10.41%	16.56%	-4.75%	1.41%	3.09%
Wilshire Large Growth	11.60	15.02	-0.53	3.57	0.37
Wilshire Mid Value	11.59	22.67	2.26	4.08	7.02
Wilshire Mid Growth	16.15	27.61	4.46	7.18	6.30
Wilshire Small Value	15.98	26.76	4.81	5.79	9.69
Wilshire Small Growth	16.66	31.08	4.07	6.75	6.03
<b>International Equity</b>					
MSCI All World ex U.S. (USD)	7.20%	11.15%	-5.03%	4.82%	5.54%
MSCI All World ex U.S. (local currency)	6.03	7.79	-5.67	1.48	-.-
MSCI EAFE	6.61	7.75	-7.01	2.46	3.50
MSCI Europe	4.50	3.88	-8.90	2.85	3.26
MSCI Pacific	10.64	15.92	-2.91	1.57	3.98
MSCI EMF Index	7.34	18.87	-0.32	12.78	15.89
<b>Domestic Fixed Income</b>					
Barclays Aggregate Bond	-1.30%	6.54%	3.91%	5.80%	5.84%
Barclays Credit	-1.86	8.46	6.85	5.98	6.54
Barclays Mortgage	0.24	5.36	6.52	6.34	5.89
Barclays Treasury	-2.64	5.88	5.11	5.47	5.42
Citigroup High Yield Cash Pay	3.13	14.24	9.60	8.43	8.80
Barclays US TIPS	-0.65	6.31	4.97	5.33	7.02
91-Day Treasury Bill	0.04	0.13	0.79	2.42	2.39
<b>International Fixed Income</b>					
Citigroup Non-U.S. Gov. Bond	-1.45%	5.21%	6.54%	7.59%	7.42%
Citigroup World Gov. Bond	-1.76	5.17	6.15	7.08	7.00
Citigroup Hedged Non-U.S. Gov.	-2.05	2.48	4.26	4.15	4.64
<b>Currency*</b>					
Euro vs. \$	-1.73%	-6.50%	-2.83%	2.61%	3.63%
Yen vs. \$	3.00	14.78	11.26	7.79	3.48
Pound vs. \$	-0.64	-3.05	-7.69	-1.83	0.47
<b>Real Estate</b>					
Wilshire REIT Index	7.87%	28.60%	0.18%	2.42%	10.47%
Wilshire RESI	8.18	29.12	0.12	2.32	10.34
NCREIF Property Index	4.62	13.11	-4.18	3.51	7.38



## Summary Review of Plans Periods Ended 12/31/10

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>TOTAL FUND for PERF</b>	<b>\$225.7 bil</b>	<b>5.6%</b>	<b>12.5%</b>	<b>-2.9%</b>	<b>3.1%</b>	<b>4.3%</b>
<i>Total Fund Policy Index <sup>1</sup></i>		<b>5.8%</b>	<b>12.1%</b>	<b>1.0%</b>	<b>5.4%</b>	<b>5.2%</b>
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	7.9%
<i>TUCS Public Fund Median</i>		6.0%	12.9%	1.2%	4.6%	4.9%
<i>Wilshire Large Fund Universe Median</i>		6.0%	13.1%	0.3%	4.7%	4.9%
<b>Affiliate Fund</b>						
<b>Judges II</b>	<b>\$504.8 mil</b>	<b>4.9%</b>	<b>13.3%</b>	<b>0.7%</b>	<b>4.4%</b>	<b>4.4%</b>
<i>Weighted Policy Benchmark</i>		4.7%	13.0%	0.8%	4.5%	4.3%
<b>Long-Term Care ("LTC")</b>	<b>\$3,049.7 mil</b>	<b>4.6%</b>	<b>13.0%</b>	<b>2.0%</b>	<b>5.1%</b>	<b>4.5%</b>
<i>Weighted Policy Benchmark</i>		4.2%	12.4%	1.9%	5.0%	4.4%
<b>CERBT Fund</b>	<b>\$1,581.0 mil</b>	<b>6.3%</b>	<b>13.4%</b>	<b>-0.1%</b>	<b>-.-%</b>	<b>-.-%</b>
<i>Weighted Policy Benchmark</i>		6.1%	13.2%	-0.5%	-.-%	-.-%
<i>TUCS Public Fund Median</i>		6.0%	12.9%	1.2%	4.6%	4.9%
<b>Legislators' Fund</b>						
<b>LRS</b>	<b>\$121.7 mil</b>	<b>2.9%</b>	<b>12.1%</b>	<b>3.4%</b>	<b>5.4%</b>	<b>5.2%</b>
<i>Weighted Policy Benchmark</i>		2.5%	11.3%	3.1%	5.2%	5.3%
<i>TUCS Public Fund Median</i>		6.0%	12.9%	1.2%	4.6%	4.9%

<sup>1</sup> The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



## Total Fund Review PERF Periods Ended 12/31/2010

	Market Value	Five-Year Ratios							
		Otr	1 Year	3 Year	5 Year	10 Year	VaR <sup>12</sup>	Sharpe <sup>13</sup>	Info <sup>14</sup>
<b>TOTAL FUND</b>	<b>\$225.7 bil</b>	<b>5.6%</b>	<b>12.5%</b>	<b>-2.9%</b>	<b>3.1%</b>	<b>4.3%</b>	<b>\$27.8 bil</b>	<b>0.1</b>	<b>-0.7</b>
Total Fund Policy Index <sup>2</sup>		5.8%	12.1%	1.0%	5.4%	5.2%		0.3	0.0
Actuarial Rate		1.9%	7.8%	7.8%	7.8%	7.9%			
TUCS Public Fund Median		6.0%	12.9%	1.2%	4.6%	4.9%			
Wilshire Large Fund Universe Median <sup>3</sup>		6.0%	13.1%	0.3%	4.7%	4.9%			
<b>TOTAL GLOBAL EQUITY X-AIM &amp; X-CURRENCY OVERLAY<sup>4</sup></b>	<b>118.6</b>	<b>9.1%</b>	<b>14.6%</b>	<b>-3.1%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>\$20.7 bil</b>	<b>0.1</b>	<b>-0.4</b>
Equity Policy Index <sup>5</sup>		8.9%	13.9%	-2.1%	4.2%	3.6%		0.1	0.0
TUCS Equity Median <sup>6</sup>		10.4%	16.3%	-2.2%	3.3%	3.7%			
<b>TOTAL FIXED INCOME<sup>7</sup></b>	<b>46.8</b>	<b>-1.8%</b>	<b>11.6%</b>	<b>8.0%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>\$3.2 bil</b>	<b>0.7</b>	<b>0.2</b>
Fixed Income Policy Index <sup>8</sup>		-2.6%	9.0%	7.1%	6.6%	6.9%		0.6	0.0
TUCS Fixed Income Median		-0.3%	9.2%	6.2%	6.2%	6.4%			
<b>TOTAL REAL ESTATE<sup>9</sup></b>	<b>16.6</b>	<b>3.3%</b>	<b>-5.1%</b>	<b>-26.0%</b>	<b>-10.6%</b>	<b>1.5%</b>	<b>\$2.5 bil</b>	<b>-0.7</b>	<b>-1.0</b>
Real Estate Policy Benchmark		4.6%	9.3%	-2.0%	5.3%	8.1%		0.4	0.0
TUCS Real Estate Median		5.0%	14.4%	-8.4%	0.4%	6.0%			
<b>TOTAL AIM PROGRAM</b>	<b>31.7</b>	<b>7.9%</b>	<b>21.5%</b>	<b>1.7%</b>	<b>9.8%</b>	<b>5.7%</b>	<b>\$9.8 bil</b>	<b>0.7</b>	<b>-0.2</b>
AIM Policy Index <sup>10</sup>		12.2%	14.3%	9.2%	12.7%	5.6%		0.8	0.0
Lagged PERS2500 + 3%		12.2%	14.3%	-3.7%	4.1%	3.0%			
<b>TOTAL INFLATION LINKED PROGRAM</b>	<b>6.7</b>	<b>4.2%</b>	<b>7.8%</b>	<b>-0.1%</b>	<b>-.%</b>	<b>-.%</b>	<b>\$0.9 bil</b>		
Policy Index		1.2%	5.2%	5.4%	-.%	-.%			
<b>CURRENCY + ASSET ALLOCATION TRANSITION</b>	<b>0.6</b>								
<b>CASH EQUIVALENTS PROGRAM</b>	<b>4.6</b>	<b>0.1%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>2.8%</b>	<b>2.7%</b>			
Custom STIF <sup>11</sup>		0.1%	0.2%	1.1%	2.7%	2.5%			

<sup>2</sup> The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

<sup>3</sup> These returns represent preliminary numbers.

<sup>4</sup> Includes domestic equity, international equity, corporate governance, and MDP ventures. It does not include asset allocation transition accounts; those accounts are reflected in total fund but are not included in any composite.

<sup>5</sup> The Equity Policy Index is the composite of six benchmarks (Custom FTSE 3000 Index, Custom FTSE Microcap Index, FTSE Developed Large, FTSE Developed Small, FTSE Emerging Large, FTSE Emerging Small) and is calculated daily. Starting 2/01/2010, the Equity Policy Index also incorporates RM ARS benchmark, which is 1-Year Treasury Note + 5%.

<sup>6</sup> Includes domestic and international equity.

<sup>7</sup> The Total Fixed Income Composite does not include the fixed income plan level transition account as well as LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

<sup>8</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>9</sup> Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>10</sup> The AIM Policy Index is the Wilshire 2500 + 3% lagged one quarter and linked previously to the custom young fund.

<sup>11</sup> The Custom STIF Policy Index is a custom index maintained by SSgA.

<sup>12</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

<sup>13</sup> The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.

<sup>14</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.





## Total Fund Review for PERF (continued)

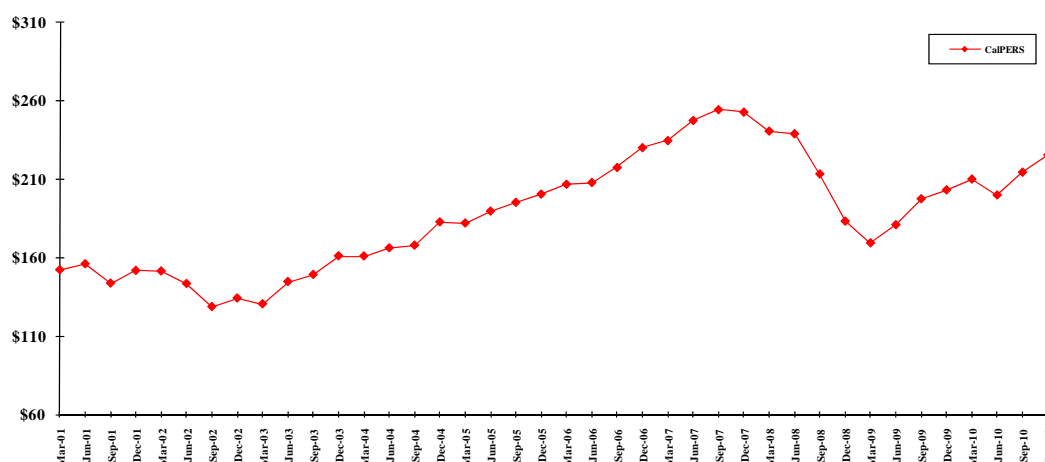
### Periods Ended 12/31/10

#### Total Fund Flow

(\$Millions)	Beg. Mkt Value	Net Cash Flow	Invest. Mgmt Fees	Invest. Gain/Loss	End. Mkt Value	Total Return
4Q10	214,624	(1,016)	(199)	12,291	225,700	5.6%

#### Total Fund Flow

	2001	2002	2003	2004	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10
Market Value (\$bil)	151.7	134.1	161.0	182.8	200.6	230.3	253.0	183.3	203.3	210.2	200.0	214.6	225.7



#### Asset Allocation

##### Asset Allocation: Actual versus Target Weights\*

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Equities	52.8%	49.0%	3.8%
Fixed Income	20.8%	21.0%	-0.2%
Real Estate	7.3%	10.0%	-2.7%
ILAC	3.0%	4.0%	-1.0%
AIM	14.1%	14.0%	0.1%
Cash Equivalents	2.0%	2.0%	0.0%

##### CalPERS Historical Asset Allocation

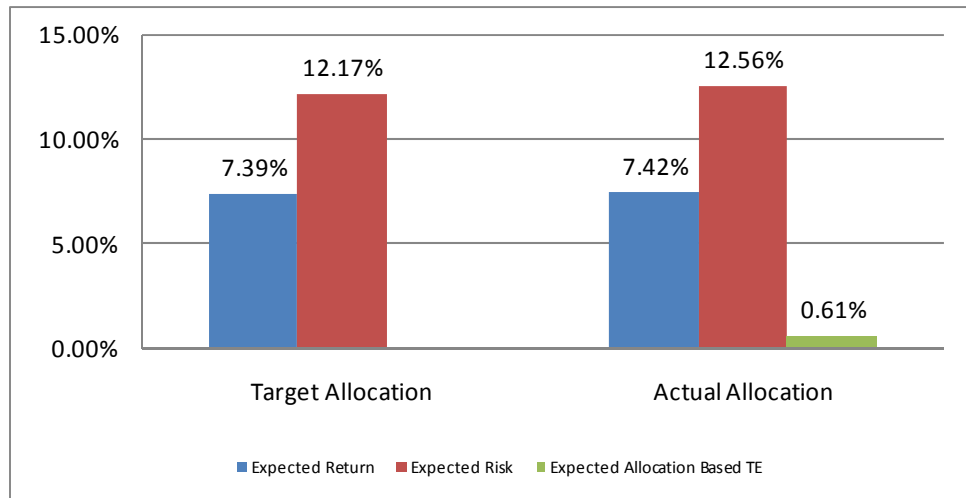
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10
% Equity	64	63	57	63	63	62	63	56	40	54	54	50	51	53
% AIM	-	-	5	5	5	5	6	8	13	12	13	14	14	14
% Fixed Income	29	27	28	24	24	25	23	27	24	24	23	24	23	21
% ILAC	-	-	-	-	-	-	-	1	2	2	2	2	3	3
% Real Estate	6	9	9	7	6	5	8	8	12	7	7	8	7	7
% Cash	1	1	1	1	1	3	1	1	8	1	1	2	2	2

\* Asset allocation targets are in the process of shifting to the new targets adopted by the Investment Committee as of January 2008. Transitions accounts are included with their respective asset classes. The target allocation is as of 12/31/2010.

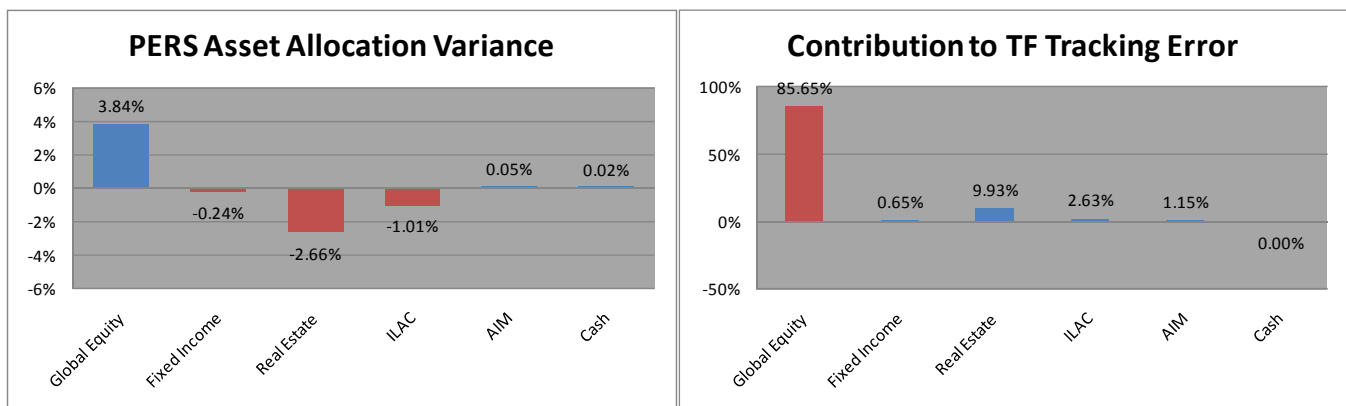
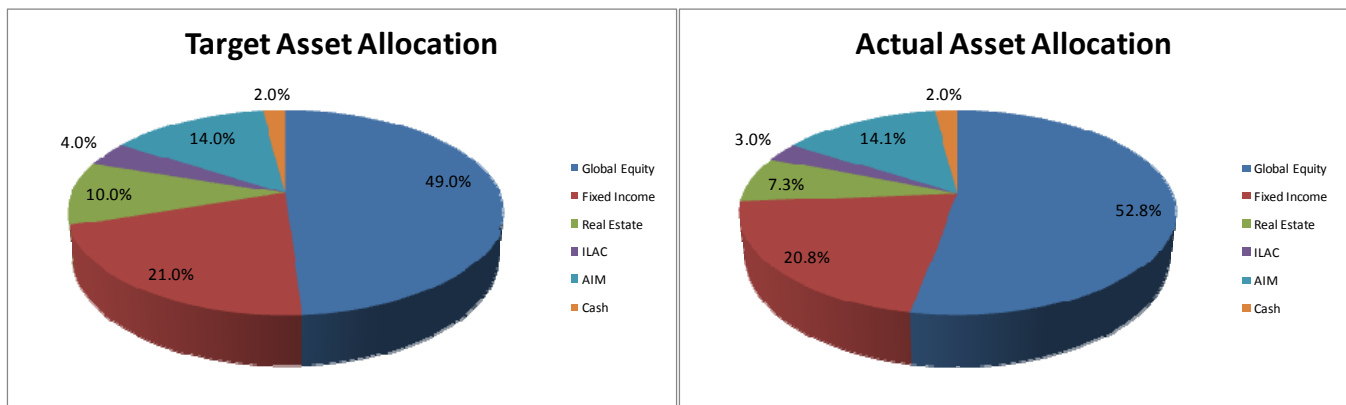


## Total Fund Review for PERF (continued) Periods Ended 12/31/10

### Expected Return/Risk and Tracking Error based on Wilshire's Asset Class Assumptions



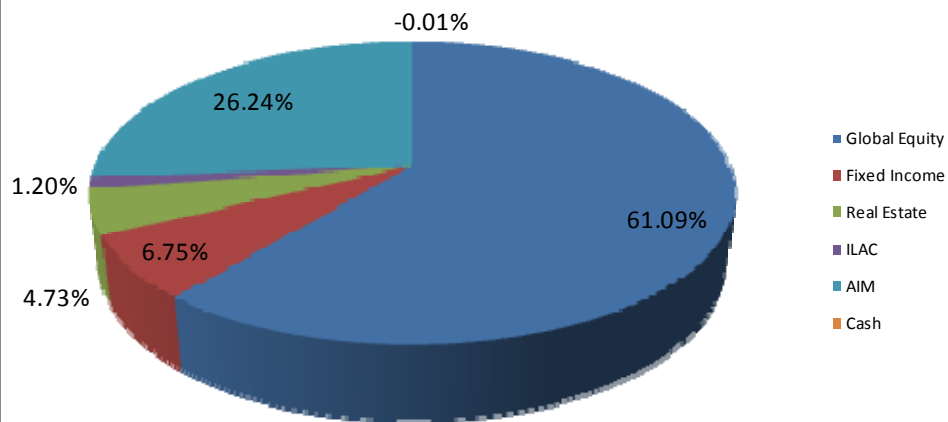
### Total Fund Asset Allocation



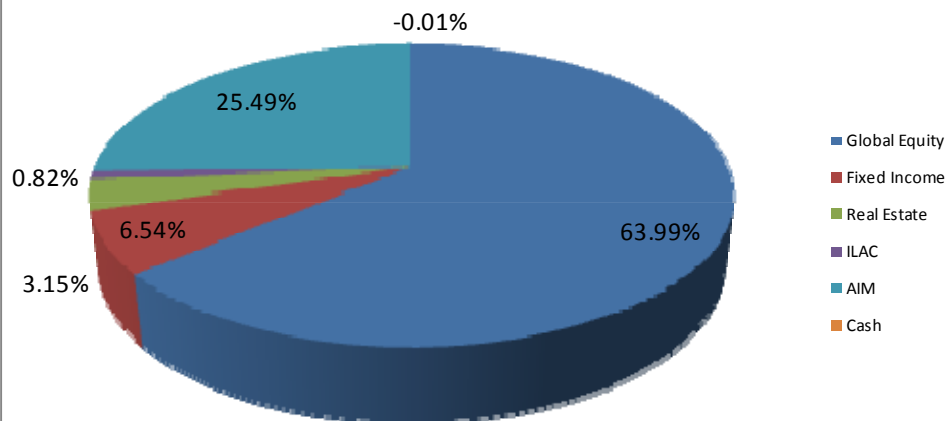
**Total Fund Review for PERF (continued)**  
Periods Ended 12/31/10

**Contribution to Total Risk based on Wilshire's Asset Class Assumptions**

**Contribution to Total Risk - Target Allocation**



**Contribution to Total Risk - Actual Allocation**



**California Public Employees' Retirement System**

**Total Fund Attribution**

**Total Composite**

**Quarter Ended 12/31/10**

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Management (%)	Activity / Timing (%)	Weighted Return (%)
Total Equity ex-AIM	49.00	51.37	2.37	8.93	9.09	0.16	4.38	0.08	0.08	0.14	4.67
Total Fixed Income	21.00	23.06	2.06	-2.64	-1.80	0.84	-0.55	-0.17	0.19	0.12	-0.42
ILAC	4.00	3.02	-0.98	1.21	4.16	2.95	0.05	0.04	0.09	-0.06	0.13
Real Estate	10.00	7.15	-2.85	4.57	3.31	-1.26	0.46	0.03	-0.09	-0.16	0.24
AIM Program	14.00	13.92	-0.08	12.20	7.88	-4.32	1.71	-0.01	-0.60	0.00	1.10
Cash	2.00	1.48	-0.52	0.07	0.07	0.00	0.00	0.03	0.00	-0.03	0.00
Total Fund	100.00	100.00	0.05	5.76	5.63	-0.13	5.76	0.01	-0.33	0.19	5.63

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance.



## Total Fund Review for PERF (continued) Periods Ended 12/31/10

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 7.89%, for the quarter ended December 31, 2010. CalPERS' return can be attributed as follows:

5.76%	Strategic Policy Allocation
0.01%	Actual/Tactical Asset Allocation
0.19%	Activity/Timing
<u>-0.33%</u>	Active Management
<b>5.63%</b>	<b>Total Return</b>

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
  - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
  - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
  - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
  - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
  - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ CalPERS' Total Fund trailed its strategic policy benchmark during the fourth quarter. Poor relative performance by the AIM program was the primary detractor this quarter, as this asset class trailed its policy index by a notable margin of 432 bps, more than offsetting good relative results generated by the System's global equity, total fixed income and inflation-linked asset classes.
- ◆ The Total Fund composite beat its actuarial rate (1.9%) for the quarter as well as the one-year period, but continued to lag over longer-term periods.



## Total Fund Review for PERF (continued) Periods Ended 12/31/10

### *Relative to the Total Fund Policy Benchmark:*

- ◆ **Global Equity Exposure:** The System's global equity composite generated a solid return of 9.1% and outperformed the total fund policy return of 5.8%, as the U.S. and international equity markets continued to surge, supported by positive macroeconomic data.
- ◆ **Global Fixed Income Exposure:** CalPERS' total fixed income composite trailed the total fund policy index (-1.8% vs. 5.8%). Stronger economic data pushed yields higher during the quarter, coupled with rising interest rates, drove investors toward riskier assets, which lead to negative total returns for bonds in general.
- ◆ **Real Estate:** The System's real estate segment underperformed the total fund policy as the pace of recovery in the commercial real estate markets remained slow.
- ◆ **AIM Program:** The alternative investment program generated a return of 7.9% for the quarter. While this performance was better than the total fund policy, it underperformed relative to its own policy benchmark return of 12.2%.
- ◆ **Total Inflation Linked Program:** The total inflation linked program's 4Q return of 4.2% modestly trailed the total fund policy, but beat its own asset allocation policy index by a good margin.





## Total Equity Review for PERF Periods Ended 12/31/10

### Equity Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Global Equity	52.8%	49.0%	+3.8%

### Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>20</sup>	5-year Sharpe Ratio <sup>21</sup>	5-year Info Ratio <sup>22</sup>
<b>TOTAL GLOBAL EQUITY</b> <sup>15</sup>	<b>118.6</b>	<b>9.1%</b>	<b>14.6%</b>	<b>-3.1%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>\$20.7 bil</b>	<b>0.1</b>	<b>-0.4</b>
Equity Policy Index <sup>16</sup>		8.9%	13.9%	-2.1%	4.2%	3.6%		0.1	0.0
Value Added		0.2%	0.7%	-1.0%	-0.8%	-0.2%			
<b>US Equity Composite (ex RMARS)</b>	<b>48.9</b>	<b>11.7%</b>	<b>17.8%</b>	<b>-2.0%</b>	<b>2.8%</b>	<b>2.3%</b>		<b>-0.1</b>	<b>-0.1</b>
Custom US Equity Index <sup>17</sup>		11.7%	17.1%	-2.1%	2.9%	2.2%		0.0	0.0
Value Added		0.0%	0.7%	0.1%	-0.1%	0.1%			
<b>Total Int'l Equity (ex RMARS)</b>	<b>61.6</b>	<b>7.6%</b>	<b>13.4%</b>	<b>-4.2%</b>	<b>5.1%</b>	<b>-.-%</b>		<b>0.1</b>	<b>0.0</b>
Custom Int'l Equity Index <sup>18</sup>		7.2%	10.4%	-5.2%	4.4%	-.-%		0.1	0.0
Value Added		0.4%	3.0%	1.0%	0.7%	-.-%			
<b>Global Equity Equitization</b>	<b>2.6</b>	<b>8.8%</b>	<b>10.9%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>			
PERS Custom Index		8.9%	13.9%	-.-%	-.-%	-.-%			
Value Added		-0.1%	-3.0%	-.-%	-.-%	-.-%			
<b>RM ARS Program</b>	<b>5.5</b>	<b>3.5%</b>	<b>8.2%</b>	<b>-0.4%</b>	<b>4.2%</b>	<b>-.-%</b>		<b>0.3</b>	<b>-0.6</b>
RM ARS Policy Index <sup>19</sup>		1.3%	5.9%	7.2%	8.5%	-.-%		6.3	0.0
Value Added		2.2%	2.3%	-7.6%	-4.3%	-.-%			

<sup>15</sup> Includes domestic equity, international equity, corporate governance, and MDP ventures. It does not include asset allocation transition accounts; those accounts are reflected in total fund but are not included in any composite.

<sup>16</sup> The Equity Policy Index is the composite of six benchmarks (Custom FTSE 3000 Index, Custom FTSE Microcap Index, FTSE Developed Large, FTSE Developed Small, FTSE Emerging Large, FTSE Emerging Small) and is calculated daily. Starting 2/01/2010, the Equity Policy Index also incorporates RM ARS benchmark, which is 1-Year Treasury Note + 5%.

<sup>17</sup> The Custom US Equity Index currently represents the FTSE Total Market Index. This Index is linked historically to its prior benchmarks.

<sup>18</sup> The Custom Int'l Equity Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>19</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

<sup>20</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>21</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>22</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

## Total Equity Review for PERF (continued)

### Comments Regarding Recent Equity Segment Performance

#### *Helped Performance:*

- ◆ **Internal U.S. Equity Exposure:** The System's internal U.S. equity composite returned 11.8% for the quarter and outperformed against the total equity policy by a notable margin.
- ◆ **External U.S. Equity Exposure:** The external U.S. equity composite generated a return of 11.5% for the quarter and beat the total equity policy.
- ◆ **Corporate Governance:** CalPERS' corporate governance program 4Q return of 10.9% performed better than the total equity policy.
- ◆ **MDP:** The Manager Development Program returned 9.4% during the fourth quarter and modestly outpaced the 8.9% return of the total equity policy.
- ◆ **FoF:** The Total Fund of Funds composite returned 13.6% for the quarter, the highest among all equity composites, and outperformed the total equity policy.

#### *Impeded Performance:*

- ◆ **Internal International Equity Exposure:** The System's internal international composite's 4Q return of 7.6% underperformed relative to the total equity policy for the quarter.
- ◆ **External International Equity Exposure:** The external international equity composite returned 7.5% for the quarter and trailed the total equity policy for the quarter, although it has done well against the equity policy over the long-term.
- ◆ **RM ARS Program:** The System's RM ARS program produced the lowest 4Q return among all equity programs and lagged the total equity policy.



### Total Equity Review for PERF - U.S. Equity

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
<b>US Equity Composite (ex RMARS)</b>	<b>48.9</b>	<b>11.7%</b>	<b>17.8%</b>	<b>-2.0%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>12/79</b>
Custom US Equity Index <sup>23</sup>		11.7%	17.1%	-2.1%	2.9%	2.2%	
Value Added		0.0%	0.7%	0.1%	-0.1%	0.1%	
<b>Total Internal US Equity</b>	<b>40.2</b>	<b>11.8%</b>	<b>17.7%</b>	<b>-1.8%</b>	<b>3.0%</b>	<b>2.4%</b>	<b>6/88</b>
Custom Internal US Equity Index <sup>24</sup>		11.7%	17.1%	-2.1%	2.9%	2.2%	
Value Added		0.1%	0.6%	0.3%	0.1%	0.2%	
<b>Total External US Equity</b>	<b>8.3</b>	<b>11.5%</b>	<b>17.4%</b>	<b>-2.4%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>12/98</b>
Custom External US Equity Index <sup>25</sup>		10.6%	16.1%	-1.9%	2.9%	2.6%	
Value Added		0.9%	1.3%	-0.5%	-1.1%	-1.1%	

### Total Equity Review for PERF - International Equity

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
<b>Total Int'l Equity (ex RMARS)</b>	<b>61.6</b>	<b>7.6%</b>	<b>13.4%</b>	<b>-4.2%</b>	<b>5.1%</b>	<b>-.-%</b>	<b>12/02</b>
Custom Int'l Equity Index <sup>26</sup>		7.2%	10.4%	-5.2%	4.4%	-.-%	
Value Added		0.4%	3.0%	1.0%	0.7%	-.-%	
<b>Total Internal Int'l Equity</b>	<b>47.2</b>	<b>7.6%</b>	<b>12.4%</b>	<b>-4.2%</b>	<b>4.5%</b>	<b>-.-%</b>	<b>3/05</b>
Custom Internal Int'l Equity Benchmark <sup>27</sup>		7.2%	9.6%	-5.8%	3.7%	-.-%	
Value Added		0.4%	2.8%	1.6%	0.8%	-.-%	
<b>Total External Int'l Equity</b>	<b>14.2</b>	<b>7.5%</b>	<b>16.8%</b>	<b>-3.0%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>6/89</b>
Custom External Int'l Equity Benchmark <sup>28</sup>		7.2%	13.0%	-3.8%	5.8%	6.8%	
Value Added		0.3%	3.8%	0.8%	0.4%	-0.2%	

<sup>23</sup> The Custom US Equity Index currently represents the FTSE Total Market Index. This Index is linked historically to its prior benchmarks.

<sup>24</sup> The Custom Internal US Equity Index currently represents the FTSE Total Market Index. This Index is linked historically to its prior benchmarks.

<sup>25</sup> The Custom External US Equity Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

<sup>26</sup> The Custom Int'l Equity Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>27</sup> The Custom Internal Int'l Equity Index currently represents the FTSE Developed World ex US/Tobacco Index. This Index is linked historically to its prior benchmarks.

<sup>28</sup> The Custom External Int'l Equity Index return equals the return for each manager's benchmark weighted at the current target asset allocation.



## RM ARS Program Review for PERF Period Ended 12/31/10

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year Info Ratio</u> <sup>30</sup>	<u>5-Year Up Capture Ratio</u>	<u>5-Year Sharpe Ratio</u> <sup>31</sup>	<u>5-Year Sortino Ratio</u> <sup>32</sup>
Total RM ARS Program	5.5	3.5%	8.2%	-0.4%	4.2%	-0.6	0.5	0.2	0.3
Policy Index <sup>29</sup>		1.3%	5.9%	7.2%	8.5%				
Value Added		2.2%	2.3%	-7.6%	-4.3%				
Total Direct Investments	3.9	4.0%	10.2%	0.1%	4.8%				
Total Fund of Funds	1.6	2.6%	3.3%	-0.8%	1.9%				
HFRI Fund of Funds Index		3.5%	5.6%	-2.6%	2.4%				

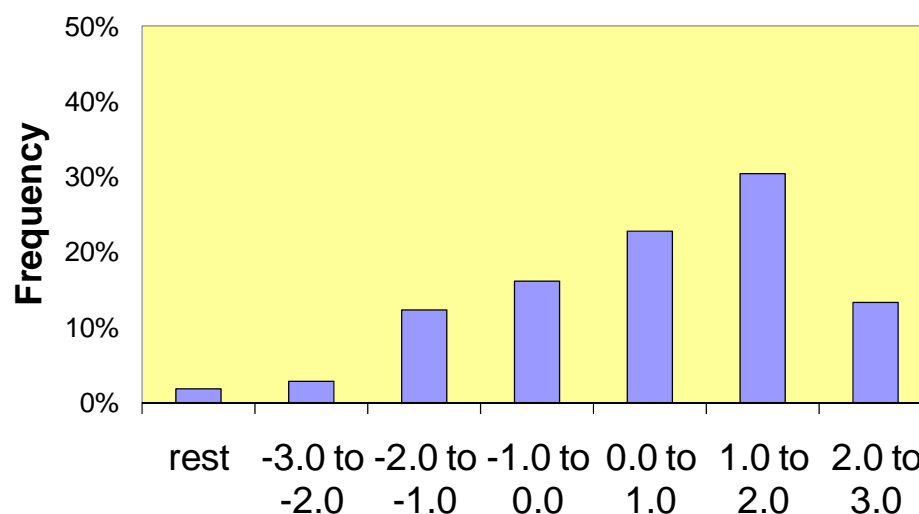
## RM ARS Program Characteristics Period Ended 12/31/10

### Rolling Correlations vs. Index

<u>Percentage of positive Months</u>	<u>Beta vs. S&amp;P 500</u>	<u>W5000</u>	<u>PERS 2500</u>	<u>Domestic Fixed Index</u>	<u>MSCI AW X US</u>
67%	0.3	0.7	0.7	0.2	0.8

## RM ARS Program Review for PERF

### CalPERS- RM ARS (net) Monthly Histogram April 2001 to December 2010



<sup>29</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

<sup>30</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

<sup>31</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>32</sup> The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility.



- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.3 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS has shown positive correlation to the equity markets while exhibiting a relatively low correlation with fixed income.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected.

### Corporate Governance/MDP/FoF Review Periods Ended 12/31/10

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
<b>Total Corporate Governance</b>	<b>5.1</b>	<b>10.9%</b>	<b>18.1%</b>	<b>-2.9%</b>	<b>0.7%</b>	<b>5.7%</b>	<b>12/98</b>
<i>Policy Index</i>		8.2%	10.5%	-5.3%	0.2%	2.6%	
<i>Value Added</i>		2.7%	7.6%	2.4%	0.5%	3.1%	

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
<b>Total MDP</b>	<b>1.8</b>	<b>9.4%</b>	<b>14.5%</b>	<b>-2.9%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>6/00</b>
<i>Policy Index</i>		8.2%	13.3%	-1.1%	4.2%	4.3%	
<i>Value Added</i>		1.2%	1.2%	-1.8%	-1.4%	-1.6%	

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
<b>Total FoF</b>	<b>0.8</b>	<b>13.6%</b>	<b>22.6%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>3/08</b>
<i>Policy Index</i>		12.7%	21.0%	-.%	-.%	-.%	
<i>Value Added</i>		0.9%	1.6%	-.%	-.%	-.%	



## Total Fixed Income Review for PERF Periods Ended 12/31/10

### Fixed Income Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Fixed Income	20.8%	21.0%	-0.2%

### Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>36</sup>	5-year Sharpe Ratio <sup>37</sup>	5-year Info Ratio <sup>38</sup>
<b>Total Fixed Income</b>	<b>46.8</b>	<b>-1.8%</b>	<b>11.6%</b>	<b>8.0%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>\$3.2 bil</b>	<b>0.7</b>	<b>0.2</b>
Fixed Income Policy Index <sup>33</sup>		-2.6%	9.0%	7.1%	6.6%	6.9%		0.6	0.0
Value Added		0.8%	2.6%	0.9%	0.8%	0.7%			
<b>U.S. Fixed Income</b>	<b>43.5</b>	<b>-1.9%</b>	<b>12.1%</b>	<b>7.9%</b>	<b>7.3%</b>	<b>7.5%</b>		<b>0.7</b>	<b>0.2</b>
Policy Index <sup>34</sup>		-2.8%	9.2%	7.1%	6.4%	6.8%		0.6	0.0
Value Added		0.9%	2.9%	0.8%	0.9%	0.7%			
<b>Non-U.S. Fixed Income</b>	<b>3.4</b>	<b>-1.1%</b>	<b>8.7%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>7.9%</b>		<b>0.6</b>	<b>0.4</b>
Policy Index <sup>35</sup>		-1.2%	6.1%	6.6%	7.6%	7.5%		0.5	0.0
Value Added		0.1%	2.6%	1.6%	0.7%	0.4%			

### Comments Regarding Recent Fixed Income Segment Performance

#### Helped Performance:

- ◆ **Corporate Bonds:** CalPERS' corporate bonds portfolio fared slightly better than the overall fixed income segment for the quarter, as more investors shifted allocation towards credits in search for higher yields.
- ◆ **Long Duration Bonds:** Long duration bonds performed better than the overall fixed income segment for the quarter. This was driven by near-zero yields offered by short-term bonds, which sent investors looking for yield in longer-term paper.
- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio reported a small positive return during 4Q and performed better than the overall fixed income segment.

<sup>33</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>34</sup> The Domestic Fixed Income Policy Index consists of the Barclays Long Liability Index and is linked historically to its prior benchmark.

<sup>35</sup> The Non-US Fixed Income Policy Index consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

<sup>36</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>37</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>38</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.





- ◆ **High Yield Bonds:** Both of CalPERS' external and internal high yield bond composites outperformed during the 4Q and were the highest returning fixed income segment on an absolute basis. The high yield market produced strong gains as investors' risk tolerance improved, supported by better-than-forecast economic indicators.
- ◆ **International Fixed Income:** The System's external international bond segment outperformed the total fixed income policy for the quarter.

***Impeded Performance:***

- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, underperformed the overall fixed income segment for the quarter and was the worst performing fixed income portfolio during the 4Q.
- ◆ **Treasury Bonds:** Treasuries again underperformed during the fourth quarter, as investors shunned the safe but low-yielding government bonds and continued to prefer spread sectors that offer higher excess returns.



## Fixed Income Review for PERF

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	Date
<b>Total Fixed Income</b>	<b>46.8</b>	<b>-1.8%</b>	<b>11.6%</b>	<b>8.0%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>6/88</b>
Fixed Income Policy Index <sup>39</sup>		-2.6%	9.0%	7.1%	6.6%	6.9%	
Value Added		0.8%	2.6%	0.9%	0.8%	0.7%	
<b>Internal US Fixed Income + Opportunistic</b>	<b>43.5</b>	<b>-1.9%</b>	<b>12.1%</b>	<b>7.9%</b>	<b>7.3%</b>	<b>7.5%</b>	<b>12/95</b>
Mortgage Bonds*	9.4	0.2%	10.4%	6.7%	6.4%	6.1%	12/82
Long Duration Mortgages*	3.4	-0.2%	19.6%	9.8%	8.2%	-.-%	6/05
Corporate Bonds*	10.6	-1.7%	11.5%	8.3%	6.8%	-.-%	3/02
U.S. Government*	15.9	-5.0%	7.9%	5.2%	5.8%	5.9%	12/99
Sovereign Bonds* <sup>40</sup>	0.9	-5.0%	11.4%	6.4%	6.3%	8.4%	6/96
Duration/SEC Allocation*	0.7	1.3%	18.2%	9.8%	7.6%	-.-%	9/05
Custom Benchmark <sup>41</sup>		-2.8%	9.2%	7.1%	6.4%	6.8%	
<b>Opportunistic <sup>42</sup></b>	<b>3.3</b>	<b>4.4%</b>	<b>26.3%</b>	<b>-0.7%</b>	<b>6.3%</b>	<b>9.7%</b>	<b>6/00</b>
Internal High Yield Bonds*	1.2	2.9%	17.1%	18.5%	15.4%	17.3%	9/99
External High Yield*	1.6	4.5%	16.4%	1.7%	4.2%	-.-%	3/02
Citigroup High Yield Cash Pay		3.4%	14.3%	9.5%	8.2%	8.8%	
<b>Special Investments</b>	<b>0.8</b>	<b>1.3%</b>	<b>9.5%</b>	<b>7.8%</b>	<b>7.3%</b>	<b>6.7%</b>	<b>3/91</b>
<b>External International Fixed Income</b>	<b>3.4</b>	<b>-1.1%</b>	<b>8.7%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>7.9%</b>	<b>3/89</b>
Custom Benchmark <sup>43</sup>		-1.2%	6.1%	6.6%	7.6%	7.5%	
Value Added		0.1%	2.6%	1.6%	0.7%	0.4%	
<b>Currency overlay <sup>44</sup></b>							
Pareto	0.0	-1.3%	-1.3%	-0.9%	0.3%	-.-%	6/02
Custom Benchmark		-0.1%	-0.3%	-0.3%	0.6%	0.2%	
Value Added		-1.2%	-1.0%	-0.6%	-0.3%	-.-%	
SSgA	0.0	0.4%	1.1%	0.1%	1.3%	0.6%	12/96
Custom Benchmark		-0.1%	-0.3%	-0.3%	0.6%	0.2%	
Value Added		0.5%	1.4%	0.4%	0.7%	0.4%	
<b>Short Term</b>							
High Quality LIBOR**	3.2	0.1%	0.9%	0.2%	2.1%	2.3%	9/00
Custom Benchmark		0.0%	0.2%	0.7%	2.4%	2.4%	
Value Added		0.1%	0.7%	-0.5%	-0.3%	-0.1%	
Short Duration LIBOR**	2.1	1.4%	6.2%	1.8%	2.8%	-.-%	9/02
Custom Benchmark		0.0%	0.2%	0.7%	2.4%	-.-%	
Value Added		1.4%	6.0%	1.1%	0.4%	-.-%	
Sec Lending Internal Collateral Reinvest**	0.5	0.3%	-.-%	-.-%	-.-%	-.-%	9/09
Custom Benchmark		0.0%	-.-%	-.-%	-.-%	-.-%	
Value Added		0.3%	-.-%	-.-%	-.-%	-.-%	

<sup>39</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>40</sup> The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

<sup>41</sup> The custom benchmark consists of the Barclays Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

<sup>42</sup> Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

<sup>43</sup> The custom benchmark consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

<sup>44</sup> The Currency Overlay program is rolled directly into total fund but it is managed by the fixed income managers. The market value is the gain or loss.

\* These portfolios and/or composites are unitized and are included across multiple plans.

\*\* These portfolios hold the collateral for the security lending program.



## Total Inflation Linked Performance for PERF Period Ended 12/31/10

### Inflation Linked Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation Linked	3.0%	4.0%	-1.0%

### Inflation Linked Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	Date
<b>Total Inflation Linked</b>	<b>6.7</b>	<b>4.2%</b>	<b>7.8%</b>	<b>-0.1%</b>	<b>-.%</b>	<b>-.%</b>	<b>9/07</b>
<i>CPI + 400 BP ***</i>		1.2%	5.2%	5.4%	-.%	-.%	
<i>Value Added</i>		3.0%	2.6%	-5.5%	-.%	-.%	
<b>Total Inflation Linked ex-Commodities</b>	<b>4.4</b>	<b>0.0%</b>	<b>3.9%</b>	<b>3.3%</b>	<b>-.%</b>	<b>-.%</b>	<b>9/07</b>
<i>CPI + 400 BP ***</i>		1.2%	5.2%	5.4%	-.%	-.%	
<i>Value Added</i>		-1.2%	-1.3%	-5.5%	-.%	-.%	
<b>Commodities **</b>	<b>2.4</b>	<b>12.9%</b>	<b>10.3%</b>	<b>-13.0%</b>	<b>-.%</b>	<b>-.%</b>	<b>9/07</b>
<i>Index</i>		13.4%	9.0%	-13.0%	-.%	-.%	
<i>Value Added</i>		-0.5%	1.3%	0.0%	-.%	-.%	
<b>Forestland*</b>	<b>2.4</b>	<b>0.6%</b>	<b>3.3%</b>	<b>4.1%</b>	<b>-.%</b>	<b>-.%</b>	<b>9/07</b>
<i>CPI + 500 BP ***</i>		1.5%	6.2%	6.1%	-.%	-.%	
<i>Value Added</i>		-0.9%	-2.9%	-2.0%	-.%	-.%	
<b>Inflation Linked Bonds</b>	<b>1.6</b>	<b>-1.0%</b>	<b>4.6%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>3/08</b>
<i>Barclays Inflation Linked Bonds Index</i>		-0.9%	4.7%	-.%	-.%	-.%	
<i>Value Added</i>		-0.1%	-0.1%	-.%	-.%	-.%	
<b>Infrastructure*</b>	<b>0.4</b>	<b>0.2%</b>	<b>6.2%</b>	<b>4.2%</b>	<b>-.%</b>	<b>-.%</b>	<b>9/07</b>
<i>CPI + 500 BP ***</i>		1.5%	6.2%	6.1%	-.%	-.%	
<i>Value Added</i>		-1.3%	0.0%	-1.9%	-.%	-.%	

- ◆ CalPERS Inflation Linked asset class outperformed its benchmark, CPI + 400 bps, for the quarter. The ILAC's one-year track record also outperformed, but it continued to trail over the three-year period.

\* Are reported on a quarter-lag basis.

\*\* The commodities overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral.

\*\*\* Are reported on a month-lag basis.

## Total Real Estate Review for PERF Period Ended 12/31/10

### Real Estate Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	7.3%	10.0%	-2.7%

### Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>47</sup>	5-year Sharpe Ratio <sup>48</sup>	5-year Info Ratio <sup>49</sup>
<b>Total Real Estate</b> <sup>45</sup>	<b>16.6</b>	<b>3.3%</b>	<b>-5.1%</b>	<b>-26.0%</b>	<b>-10.6%</b>	<b>1.5%</b>	<b>\$2.5 bil</b>	<b>-0.7</b>	<b>-1.0</b>
Policy Index <sup>46</sup>		4.6%	9.3%	-2.0%	5.3%	8.1%		0.4	0.0
Value Added		-1.3%	-14.4%	-24.0%	-15.9%	-6.6%			
TUCS Real Estate Median		5.0%	14.4%	-8.4%	0.4%	6.0%			
<b>Core Real Estate Ex-Public REITS</b>	<b>6.9</b>	<b>11.8%</b>	<b>8.7%</b>	<b>-18.9%</b>	<b>-4.6%</b>	<b>5.1%</b>			
NCREIF Property 1 Qtr Lagged		3.9%	5.8%	-4.6%	3.7%	7.3%			
Value Added		7.9%	2.9%	-14.3%	-8.3%	-2.2%			
<b>Value Added*</b>	<b>0.0</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>			
Policy Index		-.-%	-.-%	-.-%	-.-%	-.-%			
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%			
<b>Opportunistic</b>	<b>8.4</b>	<b>-3.1%</b>	<b>-16.8%</b>	<b>-34.7%</b>	<b>-17.7%</b>	<b>-3.9%</b>			
NPI + 400BPS		4.9%	10.1%	-0.8%	7.8%	11.5%			
Value Added		-8.0%	-26.9%	-33.9%	-25.5%	-15.4%			
<b>Public REITS</b>	<b>1.2</b>	<b>6.2%</b>	<b>19.1%</b>	<b>-5.8%</b>	<b>2.1%</b>	<b>-.-%</b>			
FTSE EPRA/NAREIT DE Index		6.2%	20.4%	-4.5%	2.9%	-.-%			
Value Added		0.0%	-1.3%	-1.3%	-0.8%				

- ◆ CalPERS' real estate composite produced a return of 3.3% during the fourth quarter, modestly trailing its custom index as well as the TUCS Real Estate Median. The System's REIT and core real estate portfolios produced solid gains, however, the Opportunistic Real Estate portfolios performed poorly, both on an absolute and relative basis and was the primary detractor for the quarter.

<sup>45</sup> Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>46</sup> The performance of CalPERS' real estate segment is lagged one quarter. The policy index changed in July 2008. The new benchmark is 90% of NCREIF + 200% and 10% of FTSE NAREIT Global Index.

<sup>47</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>48</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>49</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

\*The value added composite currently does not hold any investments.



## AIM Program Review for PERF Period Ended 12/31/10

### AIM Program Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	14.1%	14.0%	+0.1%

### AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>52</sup>	5-year Sharpe Ratio <sup>53</sup>	5-year Info Ratio <sup>54</sup>
AIM Program <sup>50</sup>	31.7	7.9%	21.5%	1.7%	9.8%	5.7%	\$9.8 bil	0.67	-0.19
AIM Policy Index <sup>51</sup>		12.2%	14.3%	9.2%	12.7%	5.6%		0.84	0
Value Added		-4.3%	7.2%	-7.5%	-2.9%	0.1%			
Lagged PERS 2500 + 3%		12.2%	14.3%	-3.7%	4.1%	3.0%			
Long-Term Policy (10-Year PERS 2500 + 3%)						5.1%			
AIM Partnership Investments	31.5	7.9%	21.3%	1.6%	9.8%	5.5%			
AIM Distribution Stock	0.2	9.0%	43.2%	22.3%	17.0%	3.7%			

## Cash Program Review for PERF

### Cash Program Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	2.0%	2.0%	0.0%

### Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>52</sup>	5-year Sharpe Ratio <sup>53</sup>	5-year Info Ratio <sup>54</sup>
Cash Composite	4.6	0.1%	0.3%	1.2%	2.8%	2.7%	N/A	N/A	N/A
Csutom STIF <sup>55</sup>		0.1%	0.2%	1.1%	2.7%	2.5%			
Value Added		0.0%	0.1%	0.1%	0.1%	0.2%			

<sup>50</sup>The performance of CalPERS' AIM segment is lagged one quarter.

<sup>51</sup>The AIM Policy Index is the Wilshire 2500 + 3% lagged one quarter and linked previously to the custom young fund.

<sup>52</sup>VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>53</sup>The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>54</sup>The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured

<sup>55</sup>The Custom STIF Policy Index is a custom index.

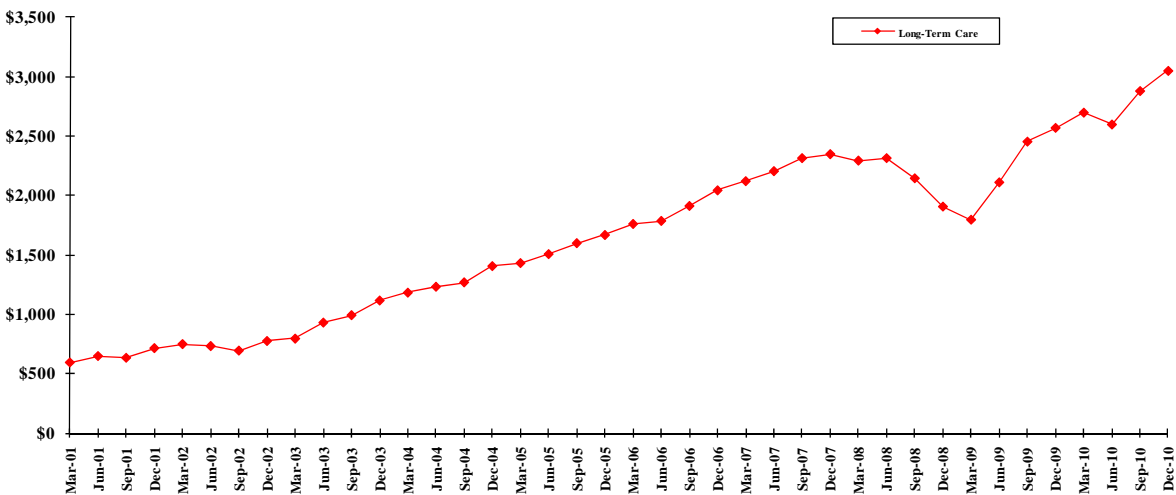
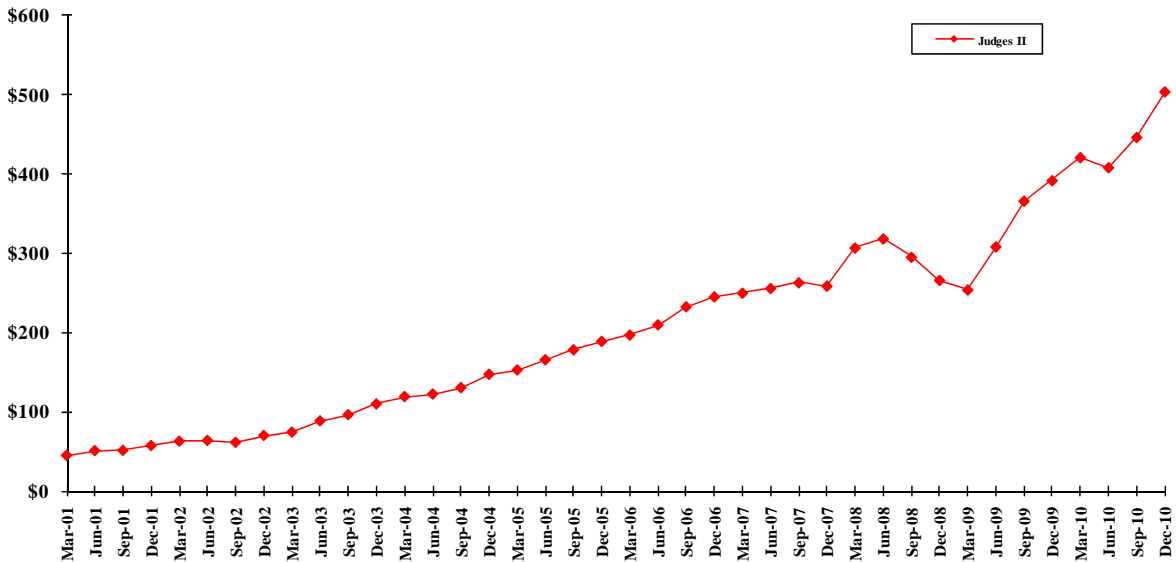
## **Affiliate Fund Information**





## Affiliate Fund Performance Period Ended December 31, 2010

### Growth in Assets (in \$Millions)





## Total Fund Performance Results

### Total Fund Performance Periods Ended December 31, 2010

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>Judges II</b>	\$504.7 mil	4.9%	13.3%	0.7%	4.4%	4.4%
<i>Weighted Policy Benchmark</i> <sup>54</sup>		4.7	13.0	0.8	4.4	4.3
<b>Long Term Care ("LTC")</b>	\$3,049.7 mil	4.6	13.0	2.0	5.1	4.5
<i>Weighted Policy Benchmark</i> <sup>54</sup>		4.2	12.4	2.0	5.0	4.4
<i>TUCS Public Fund Median</i> <sup>55</sup>		6.0	12.9	1.2	4.6	4.9

## Asset Allocation

### Judges II Asset Allocation: Actual versus Target Weights

<b>Asset Class</b>	<b>Actual Asset Allocation (%)</b>	<b>Target Asset Allocation (%)</b>	<b>Difference</b>
US Equities	33.9	34.0	-0.1
Int'l Equity	20.2	20.0	0.2
US Bonds	35.9	36.0	-0.1
Real Estate	10.0	10.0	0.0
Cash	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

### LTC Asset Allocation: Actual versus Target Weights

<b>Asset Class</b>	<b>Actual Asset Allocation (%)</b>	<b>Target Asset Allocation (%)</b>	<b>Difference</b>
US Equities	28.9	29.0	-0.1
Int'l Equity	19.2	19.0	0.2
US Bonds	30.0	30.0	0.0
High Yield	9.9	10.0	-0.1
TIPS	6.9	7.0	-0.1
Real Estate	5.1	5.0	0.1
Cash	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

<sup>54</sup> The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

<sup>55</sup> The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



## Commentary

- ◆ For the quarter ended December 31, 2010, the Judges II generated a total return of 4.9%, beating its weighted policy benchmark's return of 4.7%. The Plan has also outperformed over the one-year and ten-year periods.
- ◆ The LTC generated a fourth quarter return of 4.6% and outpaced its weighted policy benchmark's return of 4.2%. The LTC's longer term record has also done well, outperforming its policy benchmark over all periods.
- ◆ At the end of the quarter, Judges II was overweight in international equity and underweight in U.S. equity and fixed income.
- ◆ The LTC was overweight in international equity and real estate while underweight in U.S. equity, high yield and TIPS.

## U.S. Equity Performance

### U.S. Equity Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity	\$171.0 mil	10.8%	14.9%	-3.0%	2.1%	1.2%
<i>Custom Benchmark</i> <sup>56</sup>		10.9	14.9	-3.0	2.1	1.3
LTC U.S. Equity	\$881.0	10.8	14.9	-3.0	2.1	1.3
<i>Custom Benchmark</i> <sup>56</sup>		10.9	14.9	-3.0	2.1	1.3
<i>TUCS U.S. Equity Median</i>		11.7	17.5	-0.7	3.6	4.0

## Commentary

- ◆ The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index Fund, generated a return of 10.8% for the quarter and nearly matched their custom benchmark. The funds have continued to track very closely to the S&P 500 ex-Tobacco Index over longer-term periods.

<sup>56</sup> A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance. Prior of that the benchmark was the S&P 500 Index.



## International Equity Performance

### International Equity Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity <i>Custom Benchmark</i> <sup>57</sup>	\$102.0 mil	7.2%	9.7%	-5.8%	3.7%	4.3%
		7.2	9.6	-5.8	3.6	4.1
LTC Int'l Equity <i>Custom Benchmark</i> <sup>57</sup>	\$584.7	7.2	9.7	-5.8	3.5	4.2
		7.2	9.6	-5.8	3.6	4.1

## Commentary

- ◆ The Judges II and LTC international equity funds returned 7.2% for the quarter and mirrored their custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Over the long term, the funds continue to track closely to the benchmark while exhibiting positive tracking errors.

<sup>57</sup> Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



## Total Fixed Income

### Fixed Income Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Fixed Income	\$181.3 mil	-2.0%	11.2%	7.6%	6.7%	6.6%
<i>Custom Benchmark</i> <sup>58</sup>		-2.8	9.2	7.1	6.4	6.1
LTC Fixed Income	\$914.6	-2.0	11.2	7.7	6.7	6.8
<i>Custom Benchmark</i> <sup>59</sup>		-2.8	9.2	7.1	6.4	6.0
LTC High Yield	\$302.7	4.3	16.8	9.6	8.5	-.-
<i>Barclays Long Liability High Yield</i>		3.4	14.3	9.5	8.2	-.-
LTC TIPS	\$211.9	-0.8	6.2	5.4	5.3	-.-
<i>Barclays Long Liability TIPS</i>		-0.7	6.3	5.0	5.1	-.-

## Commentary

- ◆ The Judges II and LTC core fixed income portfolios both returned -2.0% for the quarter and outperformed relative to their benchmark, the Barclays Long Liability Index, which returned -2.8%. Over the long term, the core fixed income portfolios have outperformed all other measured periods shown.
- ◆ LTC's high yield portfolio generated a solid return of 4.3% for the quarter, beating the Barclays Long Liability High Yield Index's return of 3.4%. The high yield portfolio has also outperformed its benchmark for the one-year and all longer-term periods.
- ◆ The LTC's TIPS portfolio's return of -0.8% modestly trailed the -0.7% return of the Barclays Long Liability TIPS Index during 4Q. Over the three-year and five-year periods, the TIPS portfolio has added value relative to its benchmark.

<sup>58</sup> The current benchmark is the Barclays Long Liability Index. Prior of July 2005 the benchmark was the Barclays Aggregate Bond Index.

<sup>59</sup> The current benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Barclays Aggregate Bond Index.



## Total Real Estate

### Real Estate Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
Judges II REIT	\$50.5 mil	6.2%	20.4%	-3.6%	-0.0%
LTC REIT	154.7 mil	6.2	20.4	-4.4	-0.5
<i>Custom Benchmark</i> <sup>60</sup>		6.2	20.4	-4.7	-0.7
<i>Wilshire RESI</i>		8.2	29.1	0.1	2.3
<i>TUCS Real Estate Median</i>		5.0	14.4	-8.4	0.4

## Commentary

- ◆ Judges II and LTC's REIT portfolios produced a fourth quarter return of 6.2%, matching their custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. The REIT portfolios also matched their benchmark over the one-year mark, and continued to do well over the long-term.

<sup>60</sup> Current benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.

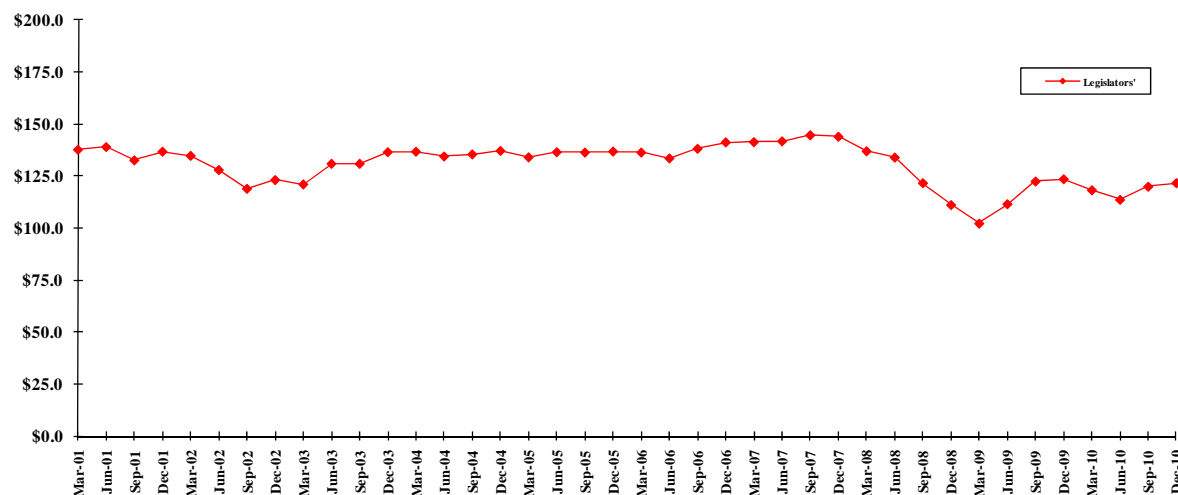


## **Legislators' Information**



## California Legislators' Retirement System

### Growth in Assets



### Total Fund Performance Results

#### Total Fund Performance Periods Ended December 31, 2010

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
<b>LRS</b>	<b>\$121.7 mil</b>	<b>2.9%</b>	<b>12.1%</b>	<b>3.4%</b>	<b>5.4%</b>	<b>5.2%</b>
<i>Weighted Policy Benchmark <sup>61</sup></i>		2.5	11.3	3.1	5.2	5.3
<i>TUCS Public Fund Median <sup>62</sup></i>		6.0	12.9	1.2	4.6	4.9

### Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	30.1%	30.0%	+0.1%
International Equity	10.3	10.0	+0.3
US Bonds	50.0	50.0	0.0
TIPS	9.6	10.0	-0.4
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

<sup>61</sup> The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.

<sup>62</sup> The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



## Commentary

- ◆ The California Legislators' Retirement System ("LRS, the System") generated a return of 2.9% for the fourth quarter of 2010 and outperformed its weighted policy benchmark. The System's long-term track record also compared favorably to its policy benchmark over the one-, three-, and five-year marks. Relative to the TUCS Public Fund Median, the LRS' portfolio trailed for the quarter and the one-year period but has outperformed over longer periods.
- ◆ As of December 31, the System was overweight in U.S. equity and international equity while underweight in TIPS.

## LRS Internal U.S. Equity Assets

### LRS Internal U.S. Equity Performance Periods Ended December 31, 2010

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
LRS U.S. Equity	\$36.7 mil	10.8%	14.9%	-3.0%	2.2%	1.3%
<i>Custom S&amp;P 500 Index</i> <sup>63</sup>		10.9	14.9	-3.0	2.1	1.3
<i>TUCS U.S. Equity Median</i>		11.7	17.5	-0.7	3.6	4.0

## Commentary

- ◆ The System's U.S. equity portfolio generated a return of 10.8% during the fourth quarter and was slightly behind its custom benchmark, the S&P 500 ex-Tobacco Index. Over the one-year and longer periods, the portfolio continues to track very closely to its custom benchmark.

## International Equity Performance

### Total International Equity Performance Periods Ended December 31, 2010

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
LRS International	\$12.5 mil	7.2%	9.7%	-5.8%	3.6%	4.3%
<i>Custom Benchmark</i> <sup>64</sup>		7.2	9.6	-5.8	3.6	4.1

<sup>63</sup> A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

<sup>64</sup> Effective October 1, 2006, the benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



## Commentary

- ◆ The System's international equity portfolio returned 7.2% for the quarter and matched its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index. Over the long-term, the international equity fund continues to perform in line with expectations.

## Total Fixed Income

### Total Fixed Income Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>LRS Fixed Income</b>	\$60.8 mil	-2.0%	11.2%	7.6%	6.8%	6.7%
<i>Custom Benchmark</i> <sup>65</sup>		-2.8	9.2	7.1	6.4	6.8
<b>LRS TIPS</b>	\$11.7 mil	-0.8	6.2	5.4	5.3	-.-
<i>Custom Benchmark</i> <sup>66</sup>		-0.7	6.3	5.0	5.1	-.-

## Commentary

- ◆ The LRS fixed income portfolio produced a return of -2.0% for the quarter and outperformed relative to its custom benchmark, the Barclays Long Liability Index. The fixed income portfolio's one-year, three-year, and five-year performance have also beaten its custom benchmark.
- ◆ The System's TIPS portfolio generated a return of -0.8% for the quarter and slightly lagged the -0.7% return of its custom benchmark, currently the Barclays U.S. TIPS Index. The TIPS portfolio has outperformed over the three-year and five-year periods.

<sup>65</sup> The current benchmark is the Barclays Long Liability Index. Lehman Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

<sup>66</sup> The current benchmark is the Barclays U.S. TIPS Index. Prior of July 2007 the benchmark was the Barclays Long Liability TIPS Index.

## **California Employers' Retiree Benefit Trust**



## California Employers' Retiree Benefit Trust

### Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	34.7%	35.0%	-0.3%
International Equity	29.1	29.0	+0.1
US Bonds	20.0	20.0	0.0
High Yield	5.9	6.0	-0.1
REITS	10.0	10.0	0.0
Cash Equivalents	<u>0.3</u>	<u>0.0</u>	<u>+0.3</u>
	100.0	100.0	0.0

### Total Fund Performance Results

#### Total Fund Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Total Fund</b>	\$1,581.0 mil	6.3%	13.4%	-0.1%	-.-%	-.-%
<i>Benchmark</i>		6.1	13.2	-0.5	-.-%	-.-%
<b>Domestic Equity</b>	548.7 mil	10.8	14.9	-3.0	-.-%	-.-%
<i>Benchmark</i>		10.8	14.9	-3.0	-.-%	-.-%
<b>International Equity</b>	460.0 mil	7.2	9.7	-5.8	-.-%	-.-%
<i>Benchmark</i>		7.2	9.6	-5.8	-.-%	-.-%
<b>REITS</b>	158.8 mil	6.2	20.4	-3.5	-.-%	-.-%
<i>Benchmark</i>		6.2	20.4	-4.7	-.-%	-.-%
<b>Fixed Income</b>	316.4 mil	-2.0	11.2	7.6	-.-%	-.-%
<i>Benchmark</i>		-2.8	9.2	7.1	-.-%	-.-%
<b>High Yield</b>	92.6 mil	4.3	16.8	9.6	-.-%	-.-%
<i>Benchmark</i>		3.4	14.3	9.5	-.-%	-.-%
<b>Cash</b>	4.4 mil	0.1	0.2	1.1	-.-%	-.-%



## Health Care Bond Fund

### Total Fund Performance Results

#### Total Fund Performance Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Health Care Bond Fund</b>	\$441.1 mil	-0.5%	7.4%	5.7%	-.-%	-.-%
<i>Benchmark</i>		-1.3	6.5	5.9	-.-	-.-



## **Supplemental Income Plans**



## Supplemental Income Plan Performance

### Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
<b>CalPERS International Index</b>	\$210.9 thous	7.2	9.6	-5.9	-.
<i>FTSE Dev. World Index Ex-US</i>		7.2	9.9	-5.5	-.
<b>CalPERS Small/Mid Equity Index</b>	\$651.2 thous	14.8	26.7	2.4	-.
<i>Russell 2500</i>		14.9	26.7	2.5	-.
<b>CalPERS Target 2010</b>	\$105.9 thous	5.0	9.2	-.	-.
<i>SIP 2010 Index</i>		4.7	11.3	-.	-.
<b>CalPERS Target 2015</b>	\$5.5 thous	5.9	10.3	-.	-.
<i>SIP 2015 Index</i>		5.7	12.2	-.	-.
<b>CalPERS Target 2020</b>	\$74.8 thous	6.8	11.2	-.	-.
<i>SIP 2020 Index</i>		6.5	12.7	-.	-.
<b>CalPERS Target 2025</b>	\$51.4 thous	8.1	-.	-.	-.
<i>SIP 2020 Index</i>		7.7	-.	-.	-.
<b>CalPERS Target 2030</b>	\$0.3 thous	8.9	13.3	-.	-.
<i>SIP 2030 Index</i>		8.5	14.2	-.	-.
<b>CalPERS Target 2035</b>	\$9.7 thous	-.	-.	-.	-.
<i>SIP 2035 Index</i>		-.	-.	-.	-.
<b>CalPERS Target 2040</b>	\$46.2 thous	9.8	14.2	-.	-.
<i>SIP 2040 Index</i>		9.6	15.1	-.	-.
<b>CalPERS Target 2045</b>	\$40.3 thous	-.	-.	-.	-.
<i>SIP 2045 Policy</i>		-.	-.	-.	-.
<b>CalPERS Target 2050</b>	\$1.6 thous	-.	-.	-.	-.
<i>SIP 2050 Index</i>		-.	-.	-.	-.
<b>CalPERS Total Return Bond Fund</b>	\$184.6 thous	-0.6	7.1	5.4	-.
<i>Barclays Aggregate Bond Index</i>		-1.3	6.5	5.9	-.
<b>CalPERS Target Income</b>	\$87.9 thous	3.2	7.5	-.	-.
<i>SIP Income Policy</i>		2.9	9.8	-.	-.
<b>CalPERS TIPS Securities</b>	\$333.3 thous	-0.9	5.8	5.0	-.
<i>Barclays U.S. TIP Index</i>		-0.7	6.3	5.0	-.
<b>PIMCO Short Term Bond Fund</b>	\$39.9 thous	-.	-.	-.	-.
<i>CalPERS ML 6-month T-Bill</i>		-.	-.	-.	-.



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
<b>CalPERS Aggressive Asset Allocation Fund</b>	\$69.9 thous	9.8	14.2	--	--
<i>S&amp;P 500 Index</i>		9.6	15.1	--	--
<b>CalPERS Moderate Asset Allocation Fund</b>	\$15.7 mil	6.9	11.2	--	--
<i>SIP Moderate Policy</i>		6.6	12.8	--	--
<b>CalPERS Conservative Asset Allocation</b>	\$211.7 thous	3.2	7.5	--	--
<i>SIP Conservative Policy</i>		2.9	9.8	--	--
<b>CalPERS S&amp;P 500 Equity Index</b>	\$785.2 thous	10.7	15.0	-2.7	--
<i>S&amp;P 500 Index</i>		10.8	15.1	-2.9	--
<b>AllianceBernstein Large Cap Value</b>	\$49.8 thous	11.6	11.0	--	--
<i>Russell 1000 Value</i>		10.5	15.5	--	--
<b>Pyramis Select International</b>	\$21.9 thous	8.3	10.5	--	--
<i>CalPERS FTSE Dev World x-US</i>		7.2	9.3	--	--
<b>Turner Large Cap Growth</b>	\$44.9 thous	12.6	12.8	-6.8	--
<i>Russell 1000 Growth</i>		11.8	16.7	-0.5	--
<b>The Boston Company SMID Growth</b>	\$ 3.8 thous	--	--	--	--
<i>Russell 2500 Growth</i>		--	--	--	--
<b>The Boston Company SMID Value</b>	\$109.8 thous	--	--	--	--
<i>Russell 2500 Value</i>		--	--	--	--
<b>SSgA STIF</b>	\$740.2 thous	0.0	--	--	--
<i>BofAML 3-month US T-Bill</i>		0.0	--	--	--
<b>SCP Aggregate</b>	\$19.6 mil	6.6	10.6	1.4	--
<i>CalPERS Custom SCP Plan</i>		6.3	11.8	2.8	--

## Net Fund Performance Results – State Peace Officers' & Firefighters' (POFF) Defined Contribution Plan

Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>State Peace Officers' &amp; Firefighters Plan (POFF)</b>	\$472.8 mil	6.9%	11.2%	-0.2%	3.1%	2.9%
<i>SIP Moderate Policy</i>		6.6	12.8	0.8	4.1	4.0



### CalPERS 457 Program Net Funds Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS S&amp;P 500 Equity Index</b>	\$135.7 mil	10.7	14.8	-3.0	2.1	1.2
<i>S&amp;P 500 Index</i>		10.8	15.1	-2.9	2.3	1.4
<b>AllianceBernstein Large Cap Value</b>	\$4.1 mil	11.6	10.9	-5.2	--	--
<i>Russell 1000 Value</i>		10.5	15.5	-4.4	--	--
<b>Turner Large Cap Growth</b>	\$42.6 mil	12.5	12.7	-7.0	--	--
<i>Russell 1000 Growth</i>		11.8	16.7	-0.5	--	--
<b>CalPERS Small/Mid Equity Index</b>	\$113.2 mil	14.8	26.3	2.1	--	--
<i>Russell 2500 Index</i>		14.9	26.7	2.5	--	--
<b>CalPERS Total Return Bond Fund</b>	\$46.9 mil	-0.6	6.9	5.2	--	--
<i>Barclays Aggregate</i>		-1.3	6.5	5.9	--	--
<b>CalPERS TIPS Securities</b>	\$22.8 mil	-0.9	5.6	4.8	--	--
<i>Barclays U.S. TIPS Index</i>		-0.7	6.3	5.0	--	--
<b>CalPERS International Index</b>	\$15.1 mil	7.2	9.3	-6.2	--	--
<i>FTSE Dev. World Index Ex-US</i>		7.2	9.9	-5.5	--	--
<b>Boston Company SMID Growth</b>	\$2.8 mil	14.1	22.5	--	--	--
<i>Russell 2500 Growth Index</i>		16.0	28.9	--	--	--
<b>Boston Company SMID Value</b>	\$1.9 mil	12.1	19.1	--	--	--
<i>Russell 2500 Value Index</i>		13.8	24.8	--	--	--
<b>Pyramis Select International</b>	\$32.6 mil	8.2	10.6	--	--	--
<i>CalPERS FTSE Dev World x-US</i>		7.2	9.3	--	--	--
<b>CalPERS Conservative Asset Allocation</b>	\$29.0 mil	3.2	7.5	--	--	--
<i>SIP Conservative Index</i>		2.9	9.8	--	--	--
<b>CalPERS Moderate Asset Allocation Fund</b>	\$101.2 mil	6.9	11.2	--	--	--
<i>SIP Moderate Policy</i>		6.6	12.8	--	--	--
<b>CalPERS Target Income Fund</b>	\$5.1 mil	3.2	7.5	--	--	--
<i>SIP Income Policy</i>		2.9	9.8	--	--	--



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS Aggressive Asset Allocation</b>	\$48.1 mil	9.9	14.2	--	--	--
<i>SIP Aggressive Policy</i>		9.6	15.1	--	--	--
<b>CalPERS Target 2005 Fund</b>	\$0.8 mil	4.2	8.3	--	--	--
<i>SIP 2005 Policy</i>		3.9	10.7	--	--	--
<b>CalPERS Target 2010 Fund</b>	\$10.9 mil	5.0	9.2	--	--	--
<i>SIP 2010 Policy</i>		4.7	11.3	--	--	--
<b>CalPERS Target 2015 Fund</b>	\$10.8 mil	5.9	10.3	--	--	--
<i>SIP 2015 Policy</i>		5.7	12.2	--	--	--
<b>CalPERS Target 2020 Fund</b>	\$18.4 mil	6.9	11.1	--	--	--
<i>SIP 2020 Policy</i>		6.5	12.7	--	--	--
<b>CalPERS Target 2025 Fund</b>	\$5.0 mil	8.1	12.3	--	--	--
<i>SIP 2025 Policy</i>		7.7	13.5	--	--	--
<b>CalPERS Target 2030 Fund</b>	\$11.7 mil	8.9	13.1	--	--	--
<i>SIP 2030 Policy</i>		8.5	14.2	--	--	--
<b>CalPERS Target 2035 Fund</b>	\$1.8 mil	9.7	14.0	--	--	--
<i>SIP 2035 Policy</i>		9.4	14.9	--	--	--
<b>CalPERS Target 2040 Fund</b>	\$6.3 mil	9.9	14.2	--	--	--
<i>SIP 2040 Policy</i>		9.6	15.1	--	--	--
<b>CalPERS Target 2045 Fund</b>	\$0.5 mil	9.9	14.2	--	--	--
<i>SIP 2045 Policy</i>		9.6	15.1	--	--	--
<b>CalPERS Target 2050 Fund</b>	\$0.3 mil	9.9	14.1	--	--	--
<i>SIP 2050 Policy</i>		9.6	15.1	--	--	--
<b>SSgA STIF</b>	\$193.7 mil	0.0	--	--	--	--
<i>BofAML 3-month US T-Bill</i>		0.0	--	--	--	--
<b>PIMCO Short-Term Bond Fund</b>	\$1.8 mil	-0.1	--	--	--	--
<i>ML 6-month T-Bill</i>		0.1	--	--	--	--
<b>457 Aggregate</b>	\$863.0 mil	6.4	10.3	0.1	3.2	--
<i>CalPERS Custom 457 Plan Index</i>		6.3	10.5	0.3	3.6	--



## CalPERS 457 Net Custom Funds for the City of Anaheim

### Periods Ended December 31, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS Conservative Asset Allocation</b>	\$0.2 mil	3.2	7.7	-.-	-.-	-.-
<i>SIP Conservative Policy</i>		2.9	9.8	-.-	-.-	-.-
<b>CalPERS Moderate Asset Allocation</b>	\$0.2 mil	6.9	11.4	-.-	-.-	-.-
<i>SIP Moderate Policy</i>		6.6	12.8	-.-	-.-	-.-
<b>CalPERS Aggressive Asset Allocation</b>	\$0.2 mil	9.9	14.4	-.-	-.-	-.-
<i>SIP Aggressive Policy</i>		9.6	15.1	-.-	-.-	-.-
<b>CalPERS S&amp;P 500 Equity Index</b>	\$6.2 mil	10.7	15.0	-2.8	2.4	1.4
<i>S&amp;P 500</i>		10.8	15.1	-2.9	2.3	1.4
<b>CalPERS Small/Mid Equity Index</b>	\$3.6 mil	14.8	26.6	2.3	-.-	-.-
<i>Russell 2500</i>		14.9	26.7	2.5	-.-	-.-
<b>CalPERS Total Return Bond Fund</b>	\$1.7 mil	-0.7	6.8	5.2	-.-	-.-
<i>Barclays Aggregate Bond index</i>		-1.3	6.5	5.9	-.-	-.-
<b>Passive Bond Market Index</b>	\$1.3 mil	-1.3	6.5	6.0	5.8	-.-
<i>Barclays Aggregate Index</i>		-1.3	6.5	5.9	5.8	-.-
<b>CalPERS TIPS Securities</b>	\$0.7 mil	-1.0	5.6	4.8	-.-	-.-
<i>Barclays U.S. TIPS Index</i>		-0.7	6.3	5.0	-.-	-.-
<b>CalPERS Target Income</b>	\$2.1 mil	3.2	7.7	-.-	-.-	-.-
<i>SIP Income Policy</i>		2.9	9.8	-.-	-.-	-.-
<b>CalPERS Target 2005</b>	\$0.0mil	4.2	8.6	-.-	-.-	-.-
<i>SIP 2005 Policy</i>		3.9	10.7	-.-	-.-	-.-
<b>CalPERS Target 2010</b>	\$2.5 mil	5.0	9.4	-.-	-.-	-.-
<i>SIP 2010 Policy</i>		4.7	11.3	-.-	-.-	-.-
<b>CalPERS Target 2015</b>	\$0.2 mil	6.0	10.5	-.-	-.-	-.-
<i>SIP 2015 Policy</i>		5.7	12.2	-.-	-.-	-.-
<b>CalPERS Target 2020</b>	\$2.2 mil	6.9	11.3	-.-	-.-	-.-
<i>SIP 2020 Policy</i>		6.5	12.7	-.-	-.-	-.-
<b>CalPERS Target 2025</b>	\$0.1 mil	8.1	12.5	-.-	-.-	-.-
<i>SIP 2025 Policy</i>		7.7	13.5	-.-	-.-	-.-
<b>CalPERS Target 2030</b>	\$1.3 mil	8.9	13.3	-.-	-.-	-.-
<i>SIP 2030 Policy</i>		8.5	14.2	-.-	-.-	-.-
<b>CalPERS Target 2035</b>	\$0.0 mil	9.7	14.1	-.-	-.-	-.-
<i>SIP 2035 Policy</i>		9.4	14.9	-.-	-.-	-.-
<b>CalPERS Target 2040</b>	\$0.3 mil	9.9	14.4	-.-	-.-	-.-
<i>SIP 2040 Policy</i>		9.6	15.1	-.-	-.-	-.-
<b>CalPERS Target 2045</b>	\$0.0 mil	9.9	14.4	-.-	-.-	-.-
<i>SIP 2045 Policy</i>		9.6	15.1	-.-	-.-	-.-



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS Target 2050</b>	\$0.0 mil	9.9	14.4	--	--	--
<i>SIP 2050 Policy</i>		9.6	15.1	--	--	--
<b>AllianceBernstein Large Cap Value</b>	\$0.2 mil	11.6	10.9	-5.2	--	--
<i>Russell 1000 Value</i>		10.5	15.5	-4.4	--	--
<b>Turner Large Cap Growth</b>	\$2.6 mil	12.6	12.7	-7.0	--	--
<i>Russell 1000 Growth</i>		11.8	16.7	-0.5	--	--
<b>Boston Company SMID Growth</b>	\$3.7 mil	14.1	22.5	--	--	--
<i>Russell 2500 Growth</i>		16.0	28.9	--	--	--
<b>Boston Company SMID Value</b>	\$0.4 mil	12.1	19.1	--	--	--
<i>Russell 2500 Value</i>		13.8	24.8	--	--	--
<b>Pyramis Select International</b>	\$1.4 mil	8.3	10.5	--	--	--
<i>CalPERS FTSE Dev World x-US</i>		7.2	9.3	--	--	--
<b>CalPERS International Index</b>	\$0.7 mil	7.1	9.2	-6.2	--	--
<i>FTSE Dev. World Index Ex-US</i>		7.2	9.9	-5.5	--	--
<b>SSgA STIF</b>	\$8.6 mil	0.0	--	--	--	--
<i>BofAML 3-month US T-Bill</i>		0.0	--	--	--	--
<b>PIMCO Short-Term Bond Fund</b>	\$0.0 mil	-0.1	--	--	--	--
<i>ML 6-month T-Bill</i>		0.1	--	--	--	--
<b>Anaheim Aggregate</b>	\$40.3 mil	6.6	10.5	0.0	3.5	--
<i>CalPERS Custom Anaheim Policy</i>		6.7	11.0	0.9	4.1	--

## **APPENDIX for PERF**





### Internal Equity – U.S.

Internal Equity - U.S.		Market Value 40.2	Qtr 11.8%	1 Year 17.7%	3 Year -1.8%	5 Year 3.1%	Incept. 9.5%	Date 6/88
	Internal FTSE 3000 Index Fund	32.3	11.7%	17.3%	-1.8%	3.1%	8.5%	12/91
	Custom Benchmark		11.7%	17.1%	-2.1%	2.9%	8.3%	
	Value Added		0.0%	0.2%	0.3%	0.2%	0.2%	
	Dynamic Completion Fund (DCF)	2.1	13.4%	21.7%	-1.1%	3.6%	4.2%	9/98
	Custom Benchmark		13.5%	21.6%	-0.5%	3.9%	4.0%	
	Value Added		-0.1%	0.1%	-0.6%	-0.3%	0.2%	
	Internal Domestic Fundamental	2.6	12.2%	20.2%	-1.7%	-.-%	2.2%	6/06
	Custom Benchmark		11.7%	17.1%	-2.1%	-.-%	2.5%	
	Value Added		0.5%	3.1%	0.4%	-.-%	-0.3%	
	Synthetic Equity	2.8	10.7%	15.7%	-.-%	-.-%	30.3%	6/09
	S&P 500		10.8%	15.1%	-.-%	-.-%	25.8%	
	Value Added		-0.1%	0.6%	-.-%	-.-%	4.5%	
	Internal Microcap	0.3	17.4%	32.1%	4.3%	4.8%	7.9%	9/03
	Custom Benchmark		14.7%	23.2%	0.9%	2.3%	6.8%	
	Value Added		2.7%	8.9%	3.4%	2.5%	1.1%	
Developmental	Internal Fan Long	0.1	12.1%	17.5%	-.-%	-.-%	18.7%	9/09
	Custom Benchmark		11.7%	17.1%	-.-%	-.-%	18.8%	
	Value Added		0.4%	0.4%	-.-%	-.-%	-0.1%	
	Internal Long/Short	0.1	-0.1%	-1.4%	-.-%	-.-%	-6.6%	9/08
	91-Day Treasury Bill		0.0%	0.1%	-.-%	-.-%	0.3%	
	Value Added		-0.1%	-1.5%	-.-%	-.-%	-6.9%	

### External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 3.7	Qtr 11.4%	1 Year 15.1%	3 Year -3.7%	5 Year 1.4%	Incept. 9.2%	Date 3/90
Value	Boston Company	0.5	13.2%	15.9%	-1.6%	4.3%	6.5%	6/98
	Custom Benchmark		10.6%	15.4%	-4.6%	0.6%	4.3%	
	Value Added		2.6%	0.5%	3.0%	3.7%	2.2%	
	Performance Objective		10.9%	16.7%	-3.4%	1.9%	5.6%	
	Value Added		2.3%	-0.8%	1.8%	2.5%	1.0%	
	Pzena	0.4	11.0%	17.4%	-2.4%	-0.4%	8.7%	9/00
	Custom Benchmark		10.6%	15.4%	-4.6%	0.9%	6.0%	
	Value Added		0.4%	2.0%	2.2%	-1.3%	2.7%	
	Performance Objective		10.9%	16.7%	-3.3%	2.2%	7.3%	
	Value Added		0.1%	0.7%	0.9%	-2.6%	1.4%	



## External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 3.7	Qtr 11.4%	1 Year 15.1%	3 Year -3.7%	5 Year 1.4%	Incept. 9.2%	Date 6/07
Growth	Marvin & Palmer Large Cap Growth	0.3	12.9%	20.2%	-8.1%	-.-%	-0.4%	12/06
	Custom Benchmark		12.0%	16.5%	-0.7%	-.-%	2.3%	
	Value Added		0.9%	3.7%	-7.4%	-.-%	-2.7%	
	Performance Objective		12.4%	18.0%	0.8%	-.-%	3.8%	
	Value Added		0.5%	2.2%	-8.9%	-.-%	-4.2%	
Enhanced	Golden Capital - Enhanced LC	0.3	10.7%	13.2%	-2.7%	-.-%	-0.8%	3/07
	Custom Benchmark		10.8%	14.9%	-3.1%	-.-%	-1.2%	
	Value Added		-0.1%	-1.7%	0.4%	-.-%	0.4%	
	Performance Objective		11.1%	15.9%	-2.1%	-.-%	-0.2%	
	Value Added		-0.4%	-2.7%	-0.6%	-.-%	-0.6%	
	T Rowe Price	0.8	10.9%	13.5%	-2.0%	-.-%	2.2%	3/06
	Custom Benchmark		10.8%	14.9%	-3.1%	-.-%	1.3%	
	Value Added		0.1%	-1.4%	1.1%	-.-%	0.9%	
	Performance Objective		11.1%	16.1%	-1.9%	-.-%	2.5%	
	Value Added		-0.2%	-2.6%	-0.1%	-.-%	-0.3%	
Long/Short	First Quadrant Long/Short	0.6	10.1%	17.1%	-.-%	-.-%	0.6%	3/08
	Custom Benchmark		11.3%	15.9%	-.-%	-.-%	0.9%	
	Value Added		-1.2%	1.2%	-.-%	-.-%	-0.3%	
	Performance Objective		11.8%	17.9%	-.-%	-.-%	2.9%	
	Value Added		-1.7%	-0.8%	-.-%	-.-%	-2.3%	
	JP Morgan Long/Short	0.7	12.2%	15.5%	-.-%	-.-%	5.2%	3/08
	Custom Benchmark		10.8%	14.9%	-.-%	-.-%	0.3%	
	Value Added		1.4%	0.6%	-.-%	-.-%	4.9%	
	Performance Objective		11.6%	17.9%	-.-%	-.-%	3.3%	
	Value Added		0.7%	-2.4%	-.-%	-.-%	1.9%	



## Internal Equity – International

Internal Equity - International		Market Value 47.2	Qtr 7.6%	1 Year 12.4%	3 Year -4.2%	5 Year 4.5%	Incept. 6.8%	Date 3/05
Total International Developed Internal Equity		41.3	7.8%	11.4%	-5.3%	-.%	1.4%	9/06
	Internal International Equity	33.4	7.2%	9.7%	-5.8%	-.%	1.1%	9/06
	Custom Benchmark		7.2%	9.6%	-5.8%	-.%	1.0%	
	Value Added		0.0%	0.1%	0.0%	-.%	0.1%	
	Developed Market Small Cap	5.0	12.3%	25.0%	-.%	-.%	16.8%	9/08
	CalPERS FTSE Developed Index		12.3%	25.1%	-.%	-.%	17.0%	
	Value Added		0.0%	-0.1%	-.%	-.%	-0.2%	
	Fundamental Developed International	2.3	6.5%	7.9%	-7.1%	-.%	-3.5%	3/07
	CalPERS FTSE Developed Index		7.2%	9.6%	-5.8%	-.%	-2.4%	
	Value Added		-0.7%	-1.7%	-1.3%	-.%	-1.1%	
Environmental	Internal Environmental HSBC CCI	0.6	6.5%	-.%	-.%	-.%	6.5%	9/10
	Custom Benchmark		9.3%	-.%	-.%	-.%	9.3%	
	Value Added		-2.8%	-.%	-.%	-.%	-2.8%	
Total Emerging Markets Internal Equity		6.0	6.5%	19.0%	3.0%	-.%	6.9%	6/07
	Internal Int'l Emerging Markets	4.6	6.6%	18.7%	-.%	-.%	22.8%	9/08
	CalPERS FTSE All Emerging x-KLD/Sudan		6.6%	18.8%	-.%	-.%	22.6%	
	Value Added		0.0%	-0.1%	-.%	-.%	0.2%	
	Structured Emerging Markets	0.8	7.0%	21.0%	2.9%	-.%	6.8%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		6.6%	18.8%	2.4%	-.%	6.2%	
	Value Added		0.4%	2.2%	0.5%	-.%	0.6%	
	Fundamental Emerging Markets	0.6	5.7%	21.1%	3.3%	-.%	7.3%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		6.6%	18.8%	2.4%	-.%	6.2%	
	Value Added		-0.9%	2.3%	0.9%	-.%	1.1%	



## External Traditional Equity – International

Total International Developed External Equity		Market Value 5.9	Qtr 7.7%	1 Year 13.8%	3 Year -5.3%	5 Year 4.3%	Incept. 6.4%	Date 6/89
Core	Arrowstreet Capital (Mainstream)	2.5	7.2%	15.7%	2.8%	10.5%	17.4%	3/03
	Custom Benchmark		7.2%	11.7%	-4.4%	5.4%	14.2%	
	Value Added		0.0%	4.0%	7.2%	5.1%	3.2%	
	Performance Objective		7.7%	13.7%	-2.4%	7.4%	16.2%	
	Value Added		-0.5%	2.0%	5.2%	3.1%	1.2%	
	Pyramis Global	0.8	8.3%	12.1%	-.%	-.%	-3.5%	3/08
	Custom Benchmark		7.2%	9.7%	-.%	-.%	-3.1%	
	Value Added		1.1%	2.4%	-.%	-.%	-0.4%	
	Performance Objective		7.7%	11.7%	-.%	-.%	-1.1%	
	Value Added		0.6%	0.4%	-.%	-.%	-2.4%	
Growth	Baillie Gifford Overseas Limited	1.1	8.2%	16.5%	-1.8%	8.3%	9.5%	6/01
	Custom Benchmark		7.2%	11.7%	-4.4%	5.4%	7.7%	
	Value Added		1.0%	4.8%	2.6%	2.9%	1.8%	
	Performance Objective		7.7%	13.7%	-2.4%	7.4%	9.7%	
	Value Added		0.5%	2.8%	0.6%	0.9%	-0.2%	
Value	Grantham, Mayo, Van Otterloo	0.8	6.6%	11.1%	-4.8%	4.6%	8.9%	6/01
	Custom Benchmark		7.2%	11.7%	-4.4%	5.4%	7.7%	
	Value Added		-0.6%	-0.6%	-0.4%	-0.8%	1.2%	
	Performance Objective		7.8%	14.1%	-2.0%	7.8%	10.2%	
	Value Added		-1.2%	-3.0%	-2.8%	-3.2%	-1.3%	
Regional	Nomura Asset Management	0.5	9.9%	21.9%	-1.2%	5.5%	5.1%	9/89
	Custom Benchmark		9.2%	18.2%	-1.4%	4.9%	1.6%	
	Value Added		0.7%	3.7%	0.2%	0.6%	3.5%	
	Performance Objective		9.7%	20.2%	0.6%	6.9%	3.6%	
	Value Added		0.2%	1.7%	-1.8%	-1.4%	1.5%	



## External Traditional Equity – International

Total Emerging Markets External Equity		Market Value 5.2	Qtr 6.0%	1 Year 21.5%	3 Year 2.5%	5 Year 12.8%	Incept. 23.5%	Date 9/02
	AllianceBernstein Int'l	1.0	6.2%	16.2%	0.0%	10.5%	23.7%	9/02
	Custom Benchmark		7.4%	19.7%	0.9%	12.6%	22.1%	
	Value Added		-1.2%	-3.5%	-0.9%	-2.1%	1.6%	
	Performance Objective		8.0%	22.2%	3.4%	15.1%	24.6%	
	Value Added		-1.8%	-6.0%	-3.4%	-4.6%	-0.9%	
	Batterymarch Emerging Markets	1.0	6.8%	20.0%	-1.4%	-.-%	3.8%	6/07
	Custom Benchmark		7.4%	19.7%	0.9%	-.-%	4.9%	
	Value Added		-0.6%	0.3%	-2.3%	-.-%	-1.1%	
	Performance Objective		7.9%	21.7%	2.9%	-.-%	6.9%	
	Value Added		-1.1%	-1.7%	-4.3%	-.-%	-3.1%	
	Dimensional Fund Advisors	0.8	6.3%	23.0%	4.0%	14.7%	24.6%	9/02
	Custom Benchmark		7.4%	19.7%	0.9%	12.6%	22.1%	
	Value Added		-1.1%	3.3%	3.1%	2.1%	2.5%	
	Performance Objective		7.9%	21.7%	2.9%	14.6%	24.1%	
	Value Added		-1.6%	1.3%	1.1%	0.1%	0.5%	
	Genesis Asset Managers	1.1	6.1%	25.8%	8.5%	15.6%	23.6%	9/02
	Custom Benchmark		7.4%	19.7%	0.9%	12.6%	22.1%	
	Value Added		-1.3%	6.1%	7.6%	3.0%	1.5%	
	Performance Objective		8.0%	22.2%	3.4%	15.1%	24.6%	
	Value Added		-1.9%	3.6%	5.1%	0.5%	-1.0%	
	Lazard Emerging Markets	0.9	3.7%	24.2%	4.3%	-.-%	5.1%	9/07
	Custom Benchmark		7.4%	19.7%	0.9%	-.-%	2.0%	
	Value Added		-3.7%	4.5%	3.4%	-.-%	3.1%	
	Performance Objective		7.9%	21.7%	2.9%	-.-%	4.0%	
	Value Added		-4.2%	2.5%	1.4%	-.-%	1.1%	
	Pictet Emerging Markets	0.5	7.5%	18.6%	-0.7%	-.-%	3.9%	6/07
	Custom Benchmark		7.4%	19.7%	0.9%	-.-%	4.9%	
	Value Added		0.1%	-1.1%	-1.6%	-.-%	-1.0%	
	Performance Objective		7.9%	21.7%	2.9%	-.-%	6.9%	
	Value Added		-0.4%	-3.1%	-3.6%	-.-%	-3.0%	



## Corporate Governance

Total Corporate Governance		Market Value 5.1	Qtr 10.9%	1 Year 18.1%	3 Year -2.9%	5 Year 0.7%	Incept. 8.3%	Date 12/98
U.S.	Blum Strategic Partners II	0.0	9.8%	36.6%	-2.2%	-.-%	-6.8%	6/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		7.9%	28.6%	-10.2%	-.-%	-14.8%	
	Blum Strategic Partners III	0.1	4.6%	11.0%	-1.2%	1.9%	2.6%	9/05
	Custom Benchmark		1.9%	8.0%	8.0%	8.0%	8.0%	
	Value Added		2.7%	3.0%	-9.2%	-6.1%	-5.4%	
	Blum Strategic Partners IV	0.2	3.8%	2.3%	-10.6%	-.-%	-10.6%	12/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		1.9%	-5.7%	-18.6%	-.-%	-18.6%	
	Breeden Partners	0.4	10.7%	5.1%	-6.0%	-.-%	-3.0%	6/06
	Custom Benchmark		10.8%	15.1%	-2.9%	-.-%	1.9%	
	Value Added		-0.1%	-10.0%	-3.1%	-.-%	-4.9%	
	New Mountain Capital	0.3	11.2%	24.4%	8.2%	5.8%	5.8%	12/05
	Custom Benchmark		10.8%	15.1%	-2.9%	2.3%	-2.1%	
	Value Added		0.4%	9.3%	11.1%	3.5%	7.9%	
	Internal New Mountain Capital	0.1	22.9%	32.7%	12.2%	-.-%	14.3%	12/06
	Custom Benchmark		10.8%	15.1%	-2.9%	-.-%	-0.8%	
	Value Added		12.1%	17.6%	15.1%	-.-%	15.1%	
	Relational Investors	1.1	12.6%	25.1%	-2.8%	-2.0%	11.3%	12/98
	Custom Benchmark		10.8%	15.1%	-2.9%	2.3%	2.0%	
	Value Added		1.8%	10.0%	0.1%	-4.3%	9.3%	
	Relational Midcap	0.3	16.3%	29.7%	-.-%	-.-%	25.2%	9/08
	Custom Benchmark		13.5%	26.6%	-.-%	-.-%	12.2%	
	Value Added		2.8%	3.1%	-.-%	-.-%	13.0%	



## Corporate Governance

Total Corporate Governance		Market Value 5.1	Qtr 10.9%	1 Year 18.1%	3 Year -2.9%	5 Year 0.7%	Incept. 8.3%	Date 12/98
International	Caritca Capital Partners L.P. <i>Custom Benchmark</i> <i>Value Added</i>	0.2	15.5% 7.4% 8.1%	73.7% 19.8% 53.9%	-.-% -.-% -.-%	-.-% -.-% -.-%	73.7% 19.8% 53.9%	12/09
	Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.3	13.8% 4.9% 8.9%	28.9% 4.9% 24.0%	-5.7% -8.3% 2.6%	-.-% -.-% -.-%	-2.6% -2.8% 0.2%	12/06
	Internal Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	22.2% 4.9% 17.3%	28.8% 4.9% 23.9%	-5.9% -8.3% 2.4%	-.-% -.-% -.-%	-8.6% -6.5% -2.1%	6/07
	Breeden European Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.2	5.7% 4.6% 1.1%	-31.8% 4.5% -36.3%	-.-% -.-% -.-%	-.-% -.-% -.-%	-34.0% 34.0% -68.0%	03/09
	Knight Vinke Institutional Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.3	-1.9% 4.9% -6.8%	-1.5% 4.9% -6.4%	-9.4% -8.3% -1.1%	3.8% 3.8% 0.0%	9.8% 7.1% 2.7%	12/03
	Knight Vinke Internal Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-3.0% 4.9% -7.9%	-12.1% 4.9% -17.0%	-11.3% -8.3% -3.0%	-.-% -.-% -.-%	2.8% 1.7% 1.1%	3/06
	Lazard Korea Corp Gov Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.1	2.7% 10.3% -7.6%	29.6% 25.9% 3.7%	-.-% -.-% -.-%	-.-% -.-% -.-%	-6.2% 3.3% -9.5%	6/08
	Taiyo Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.7	17.5% 8.4% 9.1%	20.7% -1.0% 21.7%	-0.7% -15.2% 14.5%	0.5% -11.4% 11.9%	10.0% -1.5% 11.5%	9/03
	Taiyo Pearl Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.2	4.0% 0.0% 4.0%	24.2% 0.0% 24.2%	2.3% 0.0% 2.3%	-.-% -.-% -.-%	4.0% 0.0% 4.0%	9/07
	Taiyo Cypress <i>Custom Benchmark</i> <i>Value Added</i>	0.2	9.6% 8.4% 1.2%	17.8% -1.0% 18.8%	-.-% -.-% -.-%	-.-% -.-% -.-%	3.8% -14.2% 18.0%	6/08



## Manager Development Program

Manager Development Program		Market Value 1.8	Qtr 9.4%	1 Year 14.5%	3 Year -2.9%	5 Year 2.8%	Incept. 0.8%	Date 6/00
MDPI		0.9	7.6%	13.1%	-2.9%	2.8%	0.8%	6/00
MDP I	LM Capital	0.2	-1.2%	6.5%	6.9%	6.6%	6.5%	3/02
	Custom Benchmark		-1.3%	6.3%	6.1%	6.0%	5.8%	
	Value Added		0.1%	0.2%	0.8%	0.6%	0.7%	
	Performance Objective		-1.1%	7.3%	7.1%	7.0%	6.8%	
	Value Added		-0.2%	-0.8%	-0.2%	-0.4%	-0.3%	
	Pyrford International Plc	0.2	6.9%	11.4%	-3.1%	4.8%	7.3%	12/01
	Custom Benchmark		7.2%	9.7%	-5.8%	3.8%	8.0%	
	Value Added		-0.3%	1.7%	2.7%	1.0%	-0.7%	
	Performance Objective		7.7%	11.7%	-3.8%	5.8%	10.0%	
	Value Added		-0.8%	-0.3%	0.7%	-1.0%	-2.7%	
	Stux Investments	0.5	13.0%	18.2%	-1.9%	3.1%	4.4%	3/04
	Custom Benchmark		11.3%	15.9%	-2.6%	2.5%	4.2%	
	Value Added		1.7%	2.3%	0.7%	0.6%	0.2%	
	Performance Objective		11.7%	17.4%	-1.1%	4.0%	5.7%	
	Value Added		1.3%	0.8%	-0.8%	-0.9%	-1.3%	





## Manager Development Program

Manager Development Program		Market Value 1.8	Qtr 9.4%	1 Year 14.5%	3 Year -2.9%	5 Year 2.8%	Incept. 0.8%	Date 6/00
MDP II		0.9	11.3%	15.2%	-4.7%	-.%	-2.3%	3/07
MDP II	Piedmont Large Cap Core	0.2	10.6%	13.0%	-4.4%	-.%	-2.0%	3/07
	Custom Benchmark		10.8%	14.9%	-3.1%	-.%	-1.2%	
	Value Added		-0.2%	-1.9%	-1.3%	-.%	-0.8%	
	Performance Objective		11.1%	15.9%	-2.1%	-.%	-0.2%	
	Value Added		-0.5%	-2.9%	-2.3%	-.%	-1.8%	
	Piedmont Strategic Core	0.1	10.4%	15.8%	-.%	-.%	26.0%	6/09
	Custom Benchmark		10.8%	14.9%	-.%	-.%	25.7%	
	Value Added		-0.4%	0.9%	-.%	-.%	0.3%	
	Performance Objective		11.1%	15.9%	-.%	-.%	26.7%	
	Value Added		-0.7%	-0.1%	-.%	-.%	-0.7%	
	Quotient Large Core	0.1	12.0%	15.7%	-.%	-.%	0.5%	3/08
	Custom Benchmark		11.3%	15.9%	-.%	-.%	0.9%	
	Value Added		0.7%	-0.2%	-.%	-.%	-0.4%	
	Performance Objective		11.6%	16.9%	-.%	-.%	2.4%	
	Value Added		0.4%	-1.2%	-.%	-.%	-1.9%	
	Quotient Small Core	0.1	15.6%	26.7%	-.%	-.%	0.4%	3/08
	Custom Benchmark		16.3%	26.9%	-.%	-.%	6.4%	
	Value Added		-0.7%	-0.2%	-.%	-.%	-6.0%	
	Performance Objective		16.9%	29.4%	-.%	-.%	7.9%	
	Value Added		-1.3%	-2.7%	-.%	-.%	-7.5%	
	Redwood Large Growth	0.2	14.6%	18.2%	-.%	-.%	0.0%	3/08
	Custom Benchmark		12.0%	16.5%	-.%	-.%	3.3%	
	Value Added		2.6%	1.7%	-.%	-.%	-3.3%	
	Performance Objective		12.3%	17.5%	-.%	-.%	4.3%	
	Value Added		2.4%	0.7%	-.%	-.%	-4.3%	
	Sourcecap International	0.2	8.6%	12.1%	-.%	-.%	21.0%	12/08
	Custom Benchmark		4.9%	4.9%	-.%	-.%	20.6%	
	Value Added		3.7%	7.2%	-.%	-.%	0.4%	
	Performance Objective		5.2%	5.9%	-.%	-.%	21.6%	
	Value Added		3.5%	6.2%	-.%	-.%	-0.6%	



## Fund of Funds

Total Fund of Funds		Market Value 0.8	Qtr 13.6%	1 Year 22.6%	3 Year --%	5 Year --%	Incept. 5.2%	Date 3/08
FIS Fund of Funds		0.3	11.6%	19.7%	--%	--%	3.1%	3/08
Ah Lisanti Small Cap Growth		0.0	19.3%	37.3%	--%	--%	6.3%	3/08
	Custom Benchmark		17.2%	29.1%	--%	--%	7.6%	
Value Added			2.1%	8.2%	--%	--%	-1.3%	
Herndon Large Growth		0.0	14.7%	19.7%	--%	--%	11.2%	9/08
	Custom Benchmark		12.0%	16.5%	--%	--%	9.8%	
Value Added			2.7%	3.2%	--%	--%	1.4%	
Herndon Large Value		0.0	11.5%	18.9%	--%	--%	6.1%	3/08
	Custom Benchmark		10.6%	15.4%	--%	--%	-1.7%	
Value Added			0.9%	3.5%	--%	--%	7.8%	
Ativo International		0.0	9.6%	17.9%	--%	--%	14.8%	9/08
	Custom Benchmark		7.2%	10.0%	--%	--%	9.1%	
Value Added			2.4%	7.9%	--%	--%	5.7%	
Bedlam International		0.0	8.8%	11.5%	--%	--%	7.0%	9/08
	Custom Benchmark		7.2%	10.0%	--%	--%	9.1%	
Value Added			1.6%	1.5%	--%	--%	-2.1%	
Herndon International		0.0	5.3%	--%	--%	--%	23.2%	6/10
	Custom Benchmark		7.3%	--%	--%	--%	25.1%	
Value Added			-2.0%	--%	--%	--%	-1.9%	
Hexavest EAFE Value		0.0	4.5%	5.1%	--%	--%	4.3%	9/09
	Custom Benchmark		7.2%	8.1%	--%	--%	8.3%	
Value Added			-2.7%	-3.0%	--%	--%	-4.0%	
Lombardia Small Value		0.0	15.6%	25.3%	--%	--%	9.4%	9/08
	Custom Benchmark		15.4%	24.7%	--%	--%	5.5%	
Value Added			0.2%	0.6%	--%	--%	3.9%	
Moody Aldrich All Cap Value		0.0	13.5%	19.6%	--%	--%	-1.7%	3/08
	Custom Benchmark		11.0%	16.2%	--%	--%	-1.2%	
Value Added			2.5%	3.4%	--%	--%	-0.5%	
Mastrapasqua Large Growth		0.0	15.1%	23.2%	--%	--%	4.9%	3/08
	Custom Benchmark		12.0%	16.5%	--%	--%	3.3%	
Value Added			3.1%	6.7%	--%	--%	1.6%	
Oakbrook Mid Cap Core		0.0	13.4%	24.0%	--%	--%	5.2%	3/08
	Custom Benchmark		13.1%	25.6%	--%	--%	5.0%	
Value Added			0.3%	-1.6%	--%	--%	0.2%	
Oakbrook Large Value		0.0	10.5%	15.0%	--%	--%	3.2%	9/08
	Custom Benchmark		10.6%	15.4%	--%	--%	3.2%	
Value Added			-0.1%	-0.4%	--%	--%	0.0%	
Paradigm Alpha Max Large Value		0.0	9.5%	14.7%	--%	--%	-3.7%	3/08
	Custom Benchmark		10.6%	15.4%	--%	--%	-1.7%	
Value Added			-1.1%	-0.7%	--%	--%	-2.0%	
Victoria Emerging Markets		0.0	8.2%	23.7%	--%	--%	29.8%	9/09
	Custom Benchmark		7.3%	18.9%	--%	--%	22.6%	
Value Added			0.9%	4.8%	--%	--%	7.2%	
DSM Large Growth		0.0	10.4%	22.3%	--%	--%	1.3%	3/08
	Custom Benchmark		12.0%	16.5%	--%	--%	3.3%	
Value Added			-1.6%	5.8%	--%	--%	-2.0%	



## Fund of Funds

Total Fund of Funds		Market Value 0.8	Qtr 13.6%	1 Year 22.6%	3 Year -.-%	5 Year -.-%	Incept. 5.2%	Date 3/08
Leading Edge Fund of Funds		0.4	14.0%	23.6%	-.-%	-.-%	6.7%	3/08
	Credo Mid Growth	0.0	16.9%	27.0%	-.-%	-.-%	2.7%	3/08
	Custom Benchmark		14.0%	26.5%	-.-%	-.-%	5.4%	
	Value Added		2.9%	0.5%	-.-%	-.-%	-2.7%	
	Logan Large Growth	0.0	12.1%	25.3%	-.-%	-.-%	3.4%	3/08
	Custom Benchmark		12.0%	16.5%	-.-%	-.-%	3.3%	
	Value Added		0.1%	8.8%	-.-%	-.-%	0.1%	
	Markston Large Core	0.0	10.7%	15.8%	-.-%	-.-%	4.1%	3/08
	Custom Benchmark		10.8%	14.9%	-.-%	-.-%	0.3%	
	Value Added		-0.1%	0.9%	-.-%	-.-%	3.8%	
	Mindshare Small Growth	0.0	24.9%	32.5%	-.-%	-.-%	10.0%	3/08
	Custom Benchmark		17.2%	29.1%	-.-%	-.-%	7.6%	
	Value Added		7.7%	3.4%	-.-%	-.-%	2.4%	
	Redwood Large Growth-LEIA	0.0	14.8%	18.1%	-.-%	-.-%	-0.3%	3/08
	Custom Benchmark		12.0%	16.5%	-.-%	-.-%	3.3%	
	Value Added		2.8%	1.6%	-.-%	-.-%	-3.6%	
	TIS Small Cap	0.0	11.8%	3.1%	-.-%	-.-%	-2.5%	9/08
	Custom Benchmark		16.3%	26.9%	-.-%	-.-%	8.1%	
	Value Added		-4.5%	-23.8%	-.-%	-.-%	-10.6%	
	Cupps Small Growth	0.0	17.5%	23.5%	-.-%	-.-%	10.9%	3/08
	Custom Benchmark		17.2%	29.1%	-.-%	-.-%	7.6%	
	Value Added		0.3%	-5.6%	-.-%	-.-%	3.3%	
	Phocas Small Value	0.0	17.4%	30.3%	-.-%	-.-%	10.7%	3/08
	Custom Benchmark		15.4%	24.7%	-.-%	-.-%	4.9%	
	Value Added		2.0%	5.6%	-.-%	-.-%	5.8%	
	Westwood	0.1	4.4%	25.4%	-.-%	-.-%	50.9%	12/08
	Custom Benchmark		7.4%	19.7%	-.-%	-.-%	47.9%	
	Value Added		-3.0%	5.7%	-.-%	-.-%	3.0%	
	Nichols Small Growth	0.0	21.4%	-.-%	-.-%	-.-%	21.4%	9/10
	Russell 2000 Growth		17.1%	-.-%	-.-%	-.-%	17.1%	
	Value Added		4.3%	-.-%	-.-%	-.-%	4.3%	



## Fund of Funds

Total Fund of Funds		Market Value 0.8	Qtr 13.6%	1 Year 22.6%	3 Year -.-%	5 Year -.-%	Incept. 5.2%	Date 3/08
Progress Fund of Funds		0.1	17.7%	.-.%	.-.%	.-.%	17.7%	9/10
	Independence	0.0	20.5%	.-.%	.-.%	.-.%	20.5%	9/10
	Russell 2000 Growth		17.1%	.-.%	.-.%	.-.%	17.1%	
	Value Added		3.4%	.-.%	.-.%	.-.%	3.4%	
	Hubert	0.0	23.6%	.-.%	.-.%	.-.%	23.6%	9/10
	Russell 2000 Value		15.4%	.-.%	.-.%	.-.%	15.4%	
	Value Added		8.2%	.-.%	.-.%	.-.%	8.2%	
	GW Capital	0.0	19.0%	.-.%	.-.%	.-.%	19.0%	9/10
	Russell 2000 Value		15.4%	.-.%	.-.%	.-.%	15.4%	
	Value Added		3.6%	.-.%	.-.%	.-.%	3.6%	
	OMT	0.0	11.6%	.-.%	.-.%	.-.%	11.6%	9/10
	Russell 2500 Growth		16.0%	.-.%	.-.%	.-.%	16.0%	
	Value Added		-4.4%	.-.%	.-.%	.-.%	-4.4%	
	Riverbridge	0.0	16.4%	.-.%	.-.%	.-.%	16.4%	9/10
	Russell 2000 Growth		17.1%	.-.%	.-.%	.-.%	17.1%	
	Value Added		-0.7%	.-.%	.-.%	.-.%	-0.7%	
	Channing	0.0	15.3%	.-.%	.-.%	.-.%	15.3%	9/10
	Russell 2000 Value		15.4%	.-.%	.-.%	.-.%	15.4%	
	Value Added		-0.1%	.-.%	.-.%	.-.%	-0.1%	
	CWC	0.0	16.2%	.-.%	.-.%	.-.%	16.2%	9/10
	Russell 2000		16.3%	.-.%	.-.%	.-.%	16.3%	
	Value Added		-0.1%	.-.%	.-.%	.-.%	-0.1%	
	Nichols	0.0	18.8%	.-.%	.-.%	.-.%	18.8%	9/10
	Russell 2000 Growth		17.1%	.-.%	.-.%	.-.%	17.1%	
	Value Added		1.7%	.-.%	.-.%	.-.%	1.7%	



## External Manager Performance Review (continued) RM ARS Program

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.5</b>	<b>3.5%</b>	<b>8.2%</b>	<b>-0.4%</b>	<b>4.2%</b>
<i>Policy Index</i>		<b>1.3%</b>	<b>5.9%</b>	<b>7.2%</b>	<b>8.5%</b>
<b>Total Fund to Funds</b>	<b>1.6</b>	<b>2.6%</b>	<b>3.3%</b>	<b>-0.8%</b>	<b>1.9%</b>
47 Degrees North Capital Fund of Emergin	<b>0.2</b>	2.4%	3.5%	-1.1%	-.-%
Ermitage European Fund of Funds	<b>0.1</b>	1.0%	0.6%	-0.4%	-.-%
Europanel European Fund of Funds	<b>0.3</b>	3.4%	5.9%	3.6%	-.-%
PAAMCO Asian Fund of Funds	<b>0.2</b>	1.7%	-2.5%	-5.1%	-1.0%
PAAMCO Fund of Emerging Funds	<b>0.1</b>	3.1%	7.9%	-0.1%	-.-%
Rock Creek fund of Emerging Funds	<b>0.2</b>	3.1%	7.4%	2.7%	-.-%
UBS European Fund of Funds	<b>0.2</b>	1.7%	1.6%	-4.5%	-.-%
Vision Asian Fund of Funds	<b>0.3</b>	3.1%	2.7%	-1.8%	2.7%
<b>RM ARS Direct Investments</b>	<b>3.9</b>	<b>4.0%</b>	<b>10.2%</b>	<b>0.1%</b>	<b>4.8%</b>
CalPERS Hedge Fund-UBS	<b>3.9</b>	4.9%	11.6%	1.1%	5.1%



## External Manager Performance Review (continued) RM ARS Program\* (Continued)

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.5 bil</b>	<b>3.5%</b>	<b>8.2%</b>	<b>-0.4%</b>	<b>4.2%</b>
<i>Policy Index</i>		<b>1.3%</b>	<b>5.9%</b>	<b>7.2%</b>	<b>8.5%</b>
<b>RM ARS Direct Investments</b>	<b>3.9 bil</b>	4.0%	10.2%	0.1%	4.8%
CalPERS Hedge Fund-UBS	<b>3.9 bil</b>	4.9%	11.6%	1.1%	5.1%
<b>Convertible Arbitrage*</b>	<b>269.7 mil</b>	3.1%	9.9%	15.5%	11.3%
Symphony Eureka Fund L.P.	<b>269.7 mil</b>	3.1%	9.9%	-.%	-.%
<b>Domestic Equity Long/Short*</b>	<b>252.0 mil</b>	5.2%	8.0%	1.4%	7.3%
<b>International Equity Long/Short*</b>	<b>254.1 mil</b>	4.8%	5.6%	-8.4%	0.2%
Brookside Capital Partners Fund, L.P.	<b>30.8 mil</b>	45.4%	50.4%	12.7%	15.7%
PFM Diversified Eureka Fund, LP	<b>221.2 mil</b>	1.3%	5.2%	-.%	-.%
Lansdowne European	<b>254.1 mil</b>	4.8%	5.6%	2.8%	5.9%
<b>Multi-Strategy*</b>	<b>757.8 mil</b>	4.2%	9.2%	-1.6%	3.5%
Canyon Value Realization Fund L.P.	<b>30.6 mil</b>	3.5%	8.1%	1.9%	5.1%
Deephaven	<b>17.5 mil</b>	-4.4%	10.4%	-10.9%	-1.2%
Farallon	<b>2.7 mil</b>	4.8%	116.8%	7.0%	9.9%
OZ Domestic Partners II, L.P.	<b>73.5 mil</b>	9.6%	14.4%	7.0%	9.0%
OZ Eureka Fund, L.P.	<b>465.5 mil</b>	3.6%	-.%	-.%	-.%
Tennenbaum Multi-Strategy SPV (Cayman)	<b>8.4 mil</b>	1.7%	27.1%	-.%	-.%
SuttonBrook Eureka Fund LP	<b>159.7 mil</b>	4.6%	-.%	-.%	-.%
<b>Commodities*</b>	<b>790.7 mil</b>	6.4%	13.6%	7.7%	-.%
Aspect Alternative Fund LLC	<b>272.8 mil</b>	5.6%	16.3%	9.9%	-.%
Black River CMSF	<b>24.5 mil</b>	2.0%	2.2%	-0.8%	-.%
Black River CTF (Onshore)	<b>211.4 mil</b>	7.0%	11.4%	-.%	-.%
BlueTrend Fund LP	<b>281.9 mil</b>	7.1%	15.6%	-.%	-.%
<b>Credit-Driven*</b>	<b>789.3 mil</b>	6.7%	17.5%	10.9%	9.2%
Canyon Special Opportunities Fund, LP	<b>114.9 mil</b>	4.6%	15.5%	-2.1%	-.%
Chatham Asset High Yield Offshore	<b>60.1 mil</b>	5.7%	15.4%	14.8%	11.8%
Chatham Asset Part. Spec. Situation Offshore	<b>160.9 mil</b>	7.4%	17.8%	13.5%	-.%
Chatham Eureka Fund LP	<b>453.5 mil</b>	7.1%	18.9%	-.%	-.%
<b>Fixed Income Arbitrage*</b>	<b>356.9 mil</b>	1.1%	7.2%	2.5%	5.7%
Black River FIRV	<b>356.9 mil</b>	1.1%	7.2%	13.9%	12.3%
<b>Market Neutral*</b>	<b>263.1 mil</b>	2.4%	1.4%	-1.0%	1.6%
O'Connor Global Market Neutral	<b>48.3 mil</b>	1.6%	1.6%	-.%	-.%
O'Connor Global Quantitative Equity LLC	<b>114.9 mil</b>	4.8%	4.1%	-1.5%	1.5%
OMG Eureka LP	<b>99.9 mil</b>	0.1%	-.%	-.%	-.%

\* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The RM ARS numbers on the previous page were provided by State Street and are based on the second business day.



**External Manager Performance Review (continued)**  
**RM ARS Program\* (Continued)**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
<b>Total RM ARS Program</b>	<b>5.5 bil</b>	<b>3.5%</b>	<b>8.2%</b>	<b>-0.4%</b>	<b>4.2%</b>
<i>Policy Index</i>		<b>1.3%</b>	<b>5.9%</b>	<b>7.2%</b>	<b>8.5%</b>
<b>Statistical Arbitrage*</b>	<b>124.6 mil</b>	-1.0%	-6.3%	-1.2%	-0.7%
The Marquee Fund, LP	<b>124.6 mil</b>	-1.0%	-6.3%	-1.2%	-.-%
<b>Distressed*</b>	<b>83.0 mil</b>	-10.3%	7.3%	-0.4%	1.7%
AIS Highbury Liquidating SPV, L.P.	<b>83.0 mil</b>	-.-%	-.-%	-.-%	-.-%
<b>Asian Fund of Funds*</b>	<b>480.1 mil</b>	2.3%	2.1%	-2.7%	1.5%
Vision Blue Diamond Fund, L.P.	<b>274.5 mil</b>	2.8%	2.3%	-1.6%	2.6%
PAAMCO - Blue Diamond Separate Inves	<b>205.6 mil</b>	1.5%	1.7%	-.-%	-.-%
<b>European Fund of Funds*</b>	<b>506.7 mil</b>	2.5%	3.8%	-0.1%	-.-%
Ermitage Highbury Fund, LP	<b>134.1 mil</b>	1.3%	1.4%	-0.5%	-.-%
AIS Highbury Fund, LP	<b>105.5 mil</b>	1.6%	1.7%	-3.9%	-.-%
ERAAM Highbury Fund, LP	<b>267.1 mil</b>	3.4%	6.1%	3.7%	-.-%
<b>Fund of Emerging Hedge Funds*</b>	<b>563.5 mil</b>	2.9%	6.4%	0.6%	-.-%
47 Degrees North 1848 Fund, LP	<b>199.2 mil</b>	2.6%	4.2%	-1.0%	-.-%
Rock Creek 1848 Fund, LP	<b>216.5 mil</b>	3.0%	7.4%	3.2%	-.-%
PAAMCO 1848 Fund, LP	<b>147.8 mil</b>	3.1%	7.9%	-0.1%	-.-%

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## Fixed Income – High Yield (Opportunistic)

Internal High Yield		Market Value 1.2	Qtr 2.9%	1 Year 17.1%	3 Year 18.5%	5 Year 15.4%	Incept. 17.3%	Date 9/99
	High Yield	0.6	3.8%	19.8%	20.5%	16.6%	17.1%	12/99
	Custom Benchmark		3.4%	14.3%	9.5%	8.2%	7.5%	
	Value Added		0.4%	5.5%	11.0%	8.4%	9.6%	
	BB Internal High Yield	0.2	1.7%	13.1%	-.-%	-.-%	13.4%	9/09
	Custom Benchmark		1.9%	13.1%	-.-%	-.-%	14.0%	
	Value Added		-0.2%	0.0%	-.-%	-.-%	-0.6%	
	Non-Traditional High Yield	0.3	1.7%	12.0%	-.-%	-.-%	12.0%	12/09
	Custom Benchmark		3.4%	14.3%	-.-%	-.-%	14.3%	
	Value Added		-1.7%	-2.3%	-.-%	-.-%	-2.3%	
	Simran Capital High Yield	0.1	5.2%	14.4%	-.-%	-.-%	22.4%	9/09
	Custom Benchmark		3.4%	14.3%	-.-%	-.-%	16.5%	
	Value Added		1.8%	0.1%	-.-%	-.-%	5.9%	





## Fixed Income – High Yield (Opportunistic)

External High Yield		Market Value 1.6	Qtr 4.5%	1 Year 16.4%	3 Year 1.7%	5 Year 4.2%	Incept. -.-%	Date 3/02
	Highland A	0.3	2.7%	17.8%	1.6%	-.-%	1.6%	12/07
	Custom Benchmark		3.4%	14.3%	9.5%	-.-%	7.5%	
	Value Added		-0.7%	3.5%	-7.9%	-.-%	-5.9%	
	Highland B	0.1	8.4%	20.3%	-2.8%	-.-%	-2.8%	12/07
	Custom Benchmark		3.4%	14.3%	9.5%	-.-%	7.5%	
	Value Added		5.0%	6.0%	-12.3%	-.-%	-10.3%	
	Artio Global High Yield	0.1	3.6%	-.-%	-.-%	-.-%	7.8%	3/10
	Custom Benchmark		4.6%	-.-%	-.-%	-.-%	10.3%	
	Value Added		-1.0%	-.-%	-.-%	-.-%	-2.5%	
	Columbia High Yield	0.3	4.6%	14.7%	-.-%	-.-%	7.8%	9/09
	Custom Benchmark		4.6%	15.3%	-.-%	-.-%	18.6%	
	Value Added		0.0%	-0.6%	-.-%	-.-%	-10.8%	
	JP Morgan High Yield	0.2	4.3%	14.6%	-.-%	-.-%	14.6%	12/09
	Custom Benchmark		4.6%	15.3%	-.-%	-.-%	15.3%	
	Value Added		-0.3%	-0.7%	-.-%	-.-%	-0.7%	
	Logan Circle High Yield	0.3	5.4%	16.0%	-.-%	-.-%	16.0%	12/09
	Custom Benchmark		4.6%	15.3%	-.-%	-.-%	15.3%	
	Value Added		0.8%	0.7%	-.-%	-.-%	0.7%	
	Nomura	0.6	4.8%	19.1%	11.6%	9.5%	10.0%	3/02
	Custom Benchmark		3.4%	14.3%	9.5%	8.2%	9.0%	
	Value Added		1.4%	4.8%	2.1%	1.3%	1.0%	
	PIMCO	0.1	2.7%	14.4%	7.7%	7.4%	8.6%	3/02
	Custom Benchmark		3.4%	14.3%	9.5%	8.2%	9.0%	
	Value Added		-0.7%	0.1%	-1.8%	-0.8%	-0.4%	



## External Fixed Income – International

External Fixed Income - International		Market Value 3.4	Qtr -1.1%	1 Year 8.7%	3 Year 8.2%	5 Year 8.3%	Incept. 8.2%	Date 3/89
	Alliance Bernstein	0.7	-1.0%	8.6%	7.3%	-.-%	8.5%	3/07
	Custom Benchmark		-1.2%	6.1%	6.6%	-.-%	7.9%	
	Value Added		0.2%	2.5%	0.7%	-.-%	0.6%	
	Performance Objective		-0.8%	7.6%	8.1%	-.-%	9.4%	
	Value Added		-0.2%	1.0%	-0.8%	-.-%	-0.9%	
	Baring	0.6	-0.9%	7.8%	7.5%	7.8%	8.7%	9/89
	Custom Benchmark		-1.2%	6.1%	6.6%	7.6%	7.5%	
	Value Added		0.3%	1.7%	0.9%	0.2%	1.2%	
	Performance Objective		-0.8%	7.6%	8.1%	9.1%	9.0%	
	Value Added		-0.1%	0.2%	-0.6%	-1.3%	-0.3%	
	PIMCO	1.1	-1.0%	10.6%	8.8%	-.-%	9.7%	3/07
	Custom Benchmark		-1.2%	6.1%	6.6%	-.-%	7.9%	
	Value Added		0.2%	4.5%	2.2%	-.-%	1.8%	
	Performance Objective		-0.8%	7.6%	8.1%	-.-%	9.4%	
	Value Added		-0.2%	3.0%	0.7%	-.-%	0.3%	
	Rogge	0.9	-1.3%	7.4%	7.3%	8.0%	8.0%	9/00
	Custom Benchmark		-1.2%	6.1%	6.6%	7.6%	7.7%	
	Value Added		-0.1%	1.3%	0.7%	0.4%	0.3%	
	Performance Objective		-0.8%	7.6%	8.1%	9.1%	9.2%	
	Value Added		-0.5%	-0.2%	-0.8%	-1.1%	-1.2%	

## Fixed Income – Special Investments

Special Investments		Market Value 0.8	Qtr 1.3%	1 Year 9.5%	3 Year 7.8%	5 Year 7.3%	Incept. 7.1%	Date 3/91
	California Underserved Fund	0.2	0.2%	6.0%	7.2%	-.-%	8.1%	6/07
	Equitable CCMF	0.0	0.7%	5.7%	6.9%	7.8%	8.4%	12/95
	MHLP-BRS	0.6	1.7%	11.0%	8.1%	7.4%	7.0%	3/02
	U.L.L.I. Co.	0.0	1.6%	4.4%	10.5%	12.2%	9.6%	6/95



## Inflation Linked

Commodities		Market Value 2.4	Qtr 12.9%	1 Year 10.3%	3 Year -13.0%	5 Year -.-%	Incept. -9.0%	Date 9/07
	Commodities Collateral	2.2	0.1%	0.2%	0.5%	-.-%	0.7%	9/07
	Blended LIBOR Fed Fund Index		0.0%	0.2%	0.7%	-.-%	1.0%	
	Value Added		0.1%	0.0%	-0.2%	-.-%	-0.3%	
	Commodities Overlay*	0.2	12.8%	9.8%	-13.6%	-.-%	-8.9%	9/07
	Goldman Sachs Commodity Excess Return Idx		13.4%	8.9%	-13.4%	-.-%	-9.6%	
	Value Added		-0.6%	0.9%	-0.2%	-.-%	0.7%	

## Real Estate

Public REITS		Market Value 1.2	Qtr 6.2%	1 Year 19.1%	3 Year -5.8%	5 Year 2.1%	Incept. 9.2%	Date 6/02
Internal	Internal FTSE EPRA NAREIT	1.2	6.2%	20.4%	-.-%	-.-%	20.1%	9/09
	Custom Benchmark		6.2%	20.4%	-.-%	-.-%	20.1%	
	Value Added		0.0%	0.0%	-.-%	-.-%	0.0%	
External	Morgan Stanley Intl PREES	0.0	-.-%	-.-%	-.-%	-.-%	-.-%	3/07
	Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
	Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	

\* The overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral



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**Relational Investors**

**Fourth Quarter 2010**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** March 1996

**Capital Commitment:** \$1 billion

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 53.5 million	\$4,009.6 million
<b>Distributed Capital:</b>	\$111.6 million	\$3,620.2 million

**Market Value (12/31/10):** \$ 1,133.9 million

**Investment Strategy:**

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

**Summary Analysis:**

***Number of Investments: 13***

**Organization:**

- Todd Leigh left the firm in December as Relational's decision to redeploy resources and streamline management of the Technology, Telecom, Energy, and Media ("TTEM") group eliminated one of the two Managing Director positions in the group. His responsibilities have been assumed by Kirt Karros and Relational will add resources to the analyst team at the analyst/senior analyst level throughout 2011.
- Frank Hurst, Sr. Managing Director of Client Services & Marketing, will retire at the end of 2011 – Sandi Christian (Director of Client Services & Marketing) and Jay Winship (Principal) will assume more responsibility for the firm's day-to-day client service and marketing activities to ensure a smooth transition.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
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**Relational Investors**

Fourth Quarter 2010

**Performance Analysis:**

Relational's large cap portfolio performance greatly led the S&P 500 Index for the fourth quarter of 2010 with a return of 12.6% versus 10.8% for the benchmark. During the quarter, Relational exited from two positions as each either reached their valuation target (Freeport-McMoRan Copper & Gold, Inc. for a very sizeable gain) or the risk-reward opportunity was not appropriate (Symantec). Furthermore, Relational trimmed its position in four engagements: 1) Baxter neared its fair value target due to outperformance; 2) National Semiconductor faces critical issues beyond Relational's influence remedying these issues would take several years (Relational has engaged with NSM for eight years already); 3) Deere's stock prices also ran up as a results of strong earnings and revenue growth; and 4) Home Depot, as Relational has achieved a portion of their activist agenda. As a result of Relational's efforts, Unum announced the approval of a \$1B share repurchase plan, and succeeded in appointing an unaffiliated designee to the Board at Occidental Petroleum. Relational continues to work closely with the management at Intuit and CVS on a disciplined capital allocation strategy. Officially announced today, Sanofi-Aventis SA bought Genzyme for \$20B (or \$74 per share plus additional cash payments pending the success of several drugs); the initial bid was \$69 per share. Relational has one new full position and two new toehold positions and is at varying stages of due diligence on six additional investments. Wilshire will continue to monitor and provide updates on the fund.

Calendar Year Performance (%)									
As of 12/31/2010									
	YTD	2009	2008	2007	2006	2005	2004	2003	2002
Relational	25.11	24.56	-41.01	-10.01	9.29	9.89	16.49	40.77	0.55
Custom S&P 500	15.07	26.45	-37.01	5.54	15.81	4.89	10.87	28.69	-22.12
Excess Return	10.04	-1.89	-4.00	-15.55	-6.52	5.00	5.62	12.08	22.67

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**Relational Investors – Mid Cap**

Fourth Quarter 2010

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** July 2008

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 17.6 million	\$ 368.3 million
<b>Distributed Capital:</b>	\$ 4.6 million	\$ 202.7 million

**Market Value (12/31/10):** \$ 326.0 million

**Investment Strategy:**

Relational's process is aimed at improving the performance of portfolio companies in a variety of areas, including operations, financial structure, and overall strategy. Typically, portfolio companies will be fairly mature companies with strong cash flows from underperforming core businesses. Generally, Relational is not looking for "turn around" opportunities. Relational looks to proactively engage each portfolio company to improve performance in the belief that improved corporate performance will result in a higher valuation for the company. RMMF will maintain a concentrated portfolio of 8-12 stocks with no single company will represent more than 25% of the Fund. There are no sector weight targets or limits.

**Summary Analysis:**

***Number of Investments: 11***

**Organization:**

- Todd Leigh left the firm in December as Relational's decision to redeploy resources and streamline management of the Technology, Telecom, Energy, and Media ("TTEM") group eliminated one of the two Managing Director positions in the group. His responsibilities have been assumed by Kirt Karros and Relational will add resources to the analyst team at the analyst/senior analyst level throughout 2011.
- Frank Hurst, Sr. Managing Director of Client Services & Marketing, will retire at the end of 2011 – Sandi Christian (Director of Client Services & Marketing) and Jay Winship (Principal) will assume more responsibility for the firm's day-to-day client service and marketing activities to ensure a smooth transition.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
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**Relational Investors – Mid Cap**

Fourth Quarter 2010

**Performance Analysis:**

Relational continues building its Mid Cap portfolio with ten disclosed holdings and one undisclosed. The Mid Cap portfolio had a very strong quarter as it led the benchmark by 2.8% and exited one position (Progress Software Corporation) completely for a gain of 50.6% as it achieved its passive price target. Harman had an excellent quarter as they announced plans to invest \$100M to bolster their manufacturing and research capabilities, secured a new five-year \$550 credit facility, and awarded a six-year \$1.2B contract by Volkswagen AG. As a result of Relational's efforts, Gildan approved a cash dividend and share repurchase program, and Ameriprise agreed to formally implement the majority of Relational's recommendations. Supervalu sold off its Bristol Farms division and its Total Logistic Control during the quarter, and experienced changes in management as Relational will work closely with the new CFO to improve investor communication. Esterline reported strong earnings and raised FY11 EPS guidance as Relational continues to work closely with management regarding their dilutive acquisitions and disciplined capital allocation strategy. Charles River missed earnings due to less demand for expensive studies and Relational and CalSTRS filed a joint 13D urging CRL to review strategic alternatives. McDermott was the best performer in the portfolio for the quarter as it booked an additional \$1.2B of new awards and will move one of its idle vessels from the Atlantic region to the Asia Pacific region. Given the young age of the fund, the manager indicated that it will continue to look for attractive opportunities; Relational initiated two new toehold positions and is currently in varying stages of due diligence on eleven additional investments. Wilshire will continue to monitor the portfolio activities.

<b>Calendar Year Performance (%)</b>			
<b>As of 12/31/2010</b>			
	<b>YTD</b>	<b>2009</b>	<b>4Q08*</b>
Relational Mid-Cap	29.67	82.41	-29.93
S&P 400 Mid Cap Index	26.64	37.38	-25.55
Excess Return	3.03	45.03	-4.38

\*First full-quarter performance since fund inception



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**Taiyo Pacific Partners/WL Ross**

**Fourth Quarter 2010**

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** July 2003

**Capital Commitment:** \$500 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 502.5 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 726.2 million

**Investment Strategy:**

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

**Summary Analysis:**

***Number of Investments: 16***

**Organization:**

- There were no personnel changes and no accounts gained/lost to report for the Taiyo Fund.
- Due diligence is on-going for the new India Fund as staff continued to work on finalizing all the trading and administrative related issues. Brian and Michael are expected to travel back to India again visiting target companies in the near future. Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will officially kick off its marketing effort when everything is in place.

**Philosophy/Process:** No material changes.

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**Taiyo Pacific Partners/WL Ross**

**Fourth Quarter 2010**

**Performance Analysis:**

The Taiyo Fund's fourth quarter time-weighted return of 17.5% beat the TOPIX, which returned 8.4%. Most of the fund's holdings reported solid gains during the quarter and contributed positively to overall performance. This favorable performance across the board can primarily be attributed to the fund's relatively high exposure to cyclical areas such as industrial manufacturing and technology products that have benefited from rising export; five of the six largest holdings, which accounted for nearly 58% of the fund, are related to these industries. Among the notable top performers for the quarter included flat-panel display/solar energy equipment manufacturer ULVAC (+41.4% return), optical/GPS-based positioning equipment maker TOPCON (+46.1% return), and high-tech industrial product expert Nabtesco (+26.8% return). The Taiyo Fund's one-year and longer-term performance also continued to do well, outpacing the TOPIX by a large margin.

<b>Calendar Year Performance (%)</b>							
<b>As of 12/31/2010</b>							
	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Taiyo	20.66	29.31	-37.32	-3.91	9.08	56.46	27.03
Topix Index	-0.97	5.63	-41.77	-12.22	1.90	44.29	11.23
Excess Return	21.63	23.68	4.45	8.31	7.18	12.17	15.80

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**Taiyo Pearl Fund/WL Ross**

Fourth Quarter 2010

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** October 2007

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 200.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 227.2 million

**Investment Strategy:**

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

**Summary Analysis:**

***Number of Investments: 15***

**Organization:**

- There were no personnel changes and no accounts gained/lost to report for the Taiyo Fund.
- Due diligence is on-going for the new India Fund as staff continued to work on finalizing all the trading and administrative related issues. Brian and Michael are expected to travel back to India again visiting target companies in the near future. Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will officially kick off its marketing effort when everything is in place.

**Philosophy/Process:** No material changes.

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**Taiyo Pearl Fund/WL Ross**

**Fourth Quarter 2010**

**Performance Analysis:**

For the quarter ended December 31, 2010, the Pearl Fund generated a time-weighted return of 4.0%, beating its stated objective, Absolute return of 0%, but trailed when compared to the TOPIX, which returned 8.4%. Pearl is a small-cap focused fund, and by nature Japanese small-cap companies are mostly domestic-focused businesses. Compared to the Taiyo Fund and the Cypress Fund, Pearl holdings' relatively lower "global" exposure continued to act as a headwind to its performance, as Japan's equity market rally during the fourth quarter was primarily driven by companies who's benefited from rising export/capital goods shipments. Among the Pearl holdings that fall in this category whose performance was either flat or detracted this quarter included IT services company Floyd (10.5% weight, +1.1% return), civil engineering/construction firm Sho-Bond Holdings (11.1% weight, -3.7% return), medical contract research/manufacturing organization "Crow" (4.4% weight, -11.1% return), and banquet operator Tokyo Kaikan (5.7% weight, -9.0% return). On the other hand, the fund's two largest holdings did perform well and contributed positively: Nippon Ceramic (13.3% weight, +5.3% return), Message Co. (12.1% weight, +14.1% return). Over the one-, two-, and three-year periods, the Pearl Fund's track record continues to outperform both its 0% objective and the TOPIX.

<b>Calendar Year Performance (%)</b>			
<b>As of 12/31/2010</b>			
	<b>YTD</b>	<b>2009</b>	<b>2008</b>
Taiyo Pearl Fund	24.19	-2.78	-11.27
Absolute Return of 0%	0.00	0.00	0.00
Excess Return	24.19	-2.78	-11.27

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**Taiyo Cypress Fund/WL Ross**

**Fourth Quarter 2010**

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** April 2008

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 200.2 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 207.7 million

**Investment Strategy:**

*Investment Strategy:* TCF sees considerable un-tapped value in the Japanese stock market. TCF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant outperformance for shareholders. TCF will utilize a friendly relational approach in working with Japanese companies focused on opportunities in both the public and private equity space to create and/or unlock value. TCF will focus on companies with a market cap greater than ¥220 billion. The investment approach will include 1) activist investment in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities) and 2) active investment in private companies. The portfolio is expected to hold 8-10 publicly traded companies representing no less than 65% of the portfolio, with the remainder of the portfolio to be comprised of private equity.

**Summary Analysis:**

***Number of Investments: 13***

**Organization:**

- There were no personnel changes and no accounts gained/lost to report for the Taiyo Fund.
- Due diligence is on-going for the new India Fund as staff continued to work on finalizing all the trading and administrative related issues. Brian and Michael are expected to travel back to India again visiting target companies in the near future. Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will officially kick off its marketing effort when everything is in place.

**Philosophy/Process:** No material changes.

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**Taiyo Cypress Fund/WL Ross**

**Fourth Quarter 2010**

**Performance Analysis (Continued):**

The Cypress Fund generated a time-weighted return of 9.6% for the quarter ending December 31 and modestly outperformed the TOPIX, which returned 8.4%. Benefiting from the macro trend that favored companies with ties to cyclical capital expenditures, the large cap-focused Cypress Fund saw most of its electronic components and industrial equipments holdings producing solid gains during the fourth quarter. This included LCD/semiconductor equipment maker Bachman (+21.6% return), chemical company with a specialty electronic materials Sakura (+10.1% return), and high tech electronics manufacturer Cyborg (+15.6% return). In addition, Cypress Fund's largest holding Bigfoot, an apartment constructor, reported higher than expected orders and a positive CG related news that boosted its share price 11%. Over the one- and two-year periods, the Cypress Fund has also outperformed the TOPIX by a large margin.

<b>Calendar Year Performance (%)</b>			
<b>As of 12/31/2010</b>			
	<b>YTD</b>	<b>2009</b>	<b>2008*</b>
Taiyo Cypress Fund	17.75	20.28	-22.53
Topix Index	-0.97	5.63	-34.91
Excess Return	18.72	14.65	12.38

\* Full-quarter performance started 6/30/2008

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**Knight Vinke**  
Fourth Quarter 2010

**Investment Type:** European Corporate Governance Fund

**Inception Date:** September 2003

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 99.0 million	\$ 798.8 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 606.5 million

**Market Value (12/31/10):** \$ 269.7 million

**Investment Strategy:**

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

**Summary Analysis:**

***Number of Investments: 6***

**Organization:**

- There were no organization or staff changes in the current period.
- KV has decided to close KVIP to new investors and focus on expanding relationships with current investors. The decision was made because of continuing pressure on fees and the MFN clauses KV has with most clients.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
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**Knight Vinke**  
Fourth Quarter 2010

**Performance Analysis:**

KV underperformed the market during the 4<sup>th</sup> quarter with an IRR return of -1.38% versus 4.39% for the index, in USD. One year to date performance is moderately negative at -1.13% vs. the index return of 1.03%. Since inception, KV's performance has outpaced the benchmark by almost 5%. As discussed earlier this year, KV is looking to be more active and add names to the portfolio this year. First, KV recognize that large cap public engagements tend to require a longer term horizon and they intend, therefore, to balance these with some mid-cap investments, particularly in light of the fact that the PE community is still suffering from credit restrictions. Secondly, KV is ready to trade in and out of positions more opportunistically than they have in the past. As a result, KV has increased their invested capital as a % of committed capital from 50% to 80%. This has resulted from adding to positions as well as initiating two new engagements.

<b>Calendar Year Performance (%)</b>							
<b>As of 12/31/2010</b>							
	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Knight Vinke	-1.53	14.86	-34.26	7.42	51.12	28.08	24.73
FTSE All World Europe	4.93	38.73	-46.99	15.47	35.15	10.81	21.51
Excess Return	-6.46	-23.87	12.73	-8.05	15.97	17.27	3.22



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
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**Blum Strategic Partners III**

Fourth Quarter 2010

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** July 2005

**Capital Commitment:** \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 274.3 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 112.0 million

**Market Value (12/31/10):** \$ 84.5 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 11***

**Organization:**

- Greg Jackson, one of the Partners at Blum, accepted an offer to manage investments for a church in his home state Utah and departed the firm at the end of 2010. Greg serves as the board of directors at one of Blum's major investments, Career Education, and is expected to hold on to his board seat and remain involved with this investment. Blum is also pleased to announce that Greg's personal capital will remain invested in the firm's existing funds, and he will continue to work with Blum as a consultant on certain investments for the duration of their engagements. This is a mutually-agreed departure and Blum wishes Greg the best. The firm does not anticipate any further changes to its Partners team in the foreseeable future.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners III**

Fourth Quarter 2010

**Performance Analysis:**

The Strategic Partners Fund III ended the fourth quarter of 2010 with a time-weighted return of 4.6% and performed better than its absolute 8% objective return, although this figure did not beat the Russell 2000's 16.3% return. Fund III's one-year return of 11.0% was also higher than its absolute 8% objective but still trailed the Russell 2000's 26.9%, and continues to lag both measures over longer-term periods. Similar to what happened during the third quarter, Blum's education investments were again a drag on performance, as Career Education and ITT Educational Services, the #1 and #3 holdings in Fund III (their market values represented over 46% of the fund), posted losses of -9.4% and -3.4%, respectively. Excluding impact of the education stocks, Blum claims Fund III's 4Q return would have been 14.5%. Blum attributed the education stocks' weakness to continued concerns over potential impacts from the newly proposed gainful employment rules, which have been stuck in Congress as lawmakers failed to reach an agreement on the current proposal. Blum reiterated that the fundamentals of Career Education and ITT have not changed and it still believes the regulation concerns to be transitory. As the legislators aren't expected to work out the final details of the gainful employment act for a few more months, it appears the valuations here will likely remain depressed into 2011. The rest of Fund III's major investments performed well during the 4Q and contributed positively: favorable or improved quarterly results drove CB Richard Ellis Group (25% weight) shares up 12.0% and Avid Technology (14% weight) shares up 33.2%. Fund III's performance has improved in 2010 as several of its large public strategic investments have done well. However, it is not completely out of the woods yet as the legislature overhang on the major education investments remains. Wilshire will keep monitoring Blum's efforts here.

Calendar Year Performance (%)					
As of 12/31/2010					
	YTD	2009	2008	2007	2006
Blum III	11.04	52.17	-42.95	3.92	9.46
8% Absolute Return	8.00	8.00	8.00	8.00	8.00
Excess Return	3.04	44.17	-50.95	-4.08	1.46

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners IV**

Fourth Quarter 2010

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** December 2007

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 20.5 million	\$ 295.2 million
<b>Distributed Capital:</b>	\$ 12.5 million	\$ 46.2 million

**Market Value (12/31/10):** \$ 228.6 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 15***

**Organization:**

- Greg Jackson, one of the Partners at Blum, accepted an offer to manage investments for a church in his home state Utah and departed the firm at the end of 2010. Greg serves as the board of directors at one of Blum's major investments, Career Education, and is expected to hold on to his board seat and remain involved with this investment. Blum is also pleased to announce that Greg's personal capital will remain invested in the firm's existing funds, and he will continue to work with Blum as a consultant on certain investments for the duration of their engagements. This is a mutually-agreed departure and Blum wishes Greg the best. The firm does not anticipate any further changes to its Partners team in the foreseeable future.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Blum Strategic Partners IV**

Fourth Quarter 2010

**Performance Analysis:**

The Strategic Partner Fund IV's fourth quarter return of 3.8% also beat the stated 8% objective while trailing the Russell 2000 Index. Same as Fund III, excluding the education investments, most of Fund IV's major strategic public holdings posted good returns, largely driven by improving earnings. Among this quarter's large gainers were CB Richard Ellis Group (19.6% weight, +12.0% return), SEI Investment Company (6.8% weight, +17.0% return), Avid Technology (6.1% weight, +33.2% return), and Collective Brands Inc (5.3% weight, +30.7% return). The poor performing education holdings Career Education and ITT Educational Services combined for 28% of Fund IV and therefore were meaningful detractors that weighed on 4Q's overall fund return. On the private equity side, Fund IV continues to move forward by buying into a second private investment, Pacific Alliance Group Holdings. Blum continues to believe that privately negotiated deals offer more attractive upside in today's market environment, since the financial market collapse from 2007 drove away a lot of funds that were providing liquidity to this segment. This is a niche that the firm recently did very well in (with the realization of Myer), although it has also stumbled before (with the loss incurred in WAMU). Wilshire continues to hold a favorable view in Blum's ability to execute value creation strategies through its majority private equity stakes, but will cautiously monitor developments with the education investments.

<b>Calendar Year Performance (%)</b>			
<b>As of 12/31/2010</b>			
	<b>YTD</b>	<b>2009</b>	<b>2008</b>
Blum IV	2.31	36.28	-48.67
8% Absolute Return	8.00	8.00	8.00
Excess Return	-5.69	28.28	-56.67

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**New Mountain Vantage**

**Fourth Quarter 2010**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** January 2006

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.6 million	\$ 201.9 million
<b>Distributed Capital:</b>	\$ 0.6 million	\$ 2.5 million

**Market Value (12/31/10):** \$ 269.1 million

**Investment Strategy:**

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

**Summary Analysis:**

*Number of Investments: 37*

Organization: No material changes.

Philosophy/Process: No material changes.

**Performance Analysis:**

New Mountain outperformed the S&P 500 for the quarter 11.2% vs. 10.8%. New Mountain outperformed the S&P 500 for the year to date 24.3% vs. 15.1%, and outperformed by over 22% for the since inception period. As 2010 comes to a close, New Mountain feels sector and stock selection will begin to matter again. They will continue their bottom-up fundamental approach to add value. In the upcoming year, it will be necessary to see how the macro environment will impact their portfolio and plan to preserve capital and be opportunistic when possible.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**New Mountain Vantage**  
**Fourth Quarter 2010**

**Performance Analysis (Continued):**

Calendar Year Performance (%)					
As of 12/31/2010					
	YTD	2009	2008	2007	2006
New Moutain	24.37	40.95	-27.65	-2.05	
S&P 500	15.06	26.46	-37.00	5.49	
Excess Return	9.31	14.49	9.35	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners**  
Fourth Quarter 2010

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** June 2006

**Capital Commitment:** \$500 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 638.4 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 138.5 million

**Market Value (12/31/10):** \$ 399.4 million

**Investment Strategy:**

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

**Summary Analysis:**

***Number of Investments: 13***

Organization: No material changes.

Philosophy/Process: No material changes.

**Performance Analysis:**

During the fourth quarter, Breeden exited from three positions (NASDAQ OMX Group, Raytheon, and SAIC) and initiated new positions in two investments (Projects Paper and Pump). Overall, the portfolio had a strong fourth quarter with the exception of two holdings: Hillenbrand and H&R Block, which dragged the fund to slightly underperform the S&P 500 Index. Despite missing their earnings, AON's organic growth continues to outperform and gaming revenues are improving for Bally Technologies. Breeden continues to work with Dun & Bradstreet to improve investor communications while waiting for evidence of stabilization trends through the income statement. Helmerich & Payne's land-based rigs are still in high demand despite the challenging commodity environment. Breeden met with Hillenbrand to discuss management's capital allocation priorities, acquisition strategy, and K-Tron growth initiatives. H&R Block continues to feel the pressure of mortgage fears while not having seen any activity that will rise to levels in excess of current reserves. Steris awaits FDA approval and Zale had an exceptional quarter due to holiday sales and stronger broader retail. The economic recovery also helped ValueClick in increased marketing and advertising. Breeden introduced themselves to EMCOR's senior management and will continue to conduct due diligence on the two new additions to the portfolio. Breeden has a busy schedule in March with future plans to reach out and meet with senior management at several of their engagements, including ValueClick, Helmerich & Payne, and Stanley Black & Decker Corporation.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Breeden Partners**  
Fourth Quarter 2010

**Performance Analysis (Continued):**

Calendar Year Performance (%)					
As of 12/31/2010					
	YTD	2009	2008	2007	2006
Breeden Partners	5.05	23.63	-35.96	-4.28	
S&P 500	15.06	26.46	-37.00	5.49	
Excess Return	-10.01	-2.83	1.04	-9.77	N.A



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden European Partners**

**Fourth Quarter 2010**

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** June 2009

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 44.7 million	\$ 300.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 234.6 million

**Investment Strategy:**

The Breeden European Fund will use a similar investment process to the US Fund, investing in underperforming or significantly undervalued companies. The Fund looks for companies without large amount of debt that have positive cash flow, and seeks to identify the causes of poor performance/low relative valuations and to pinpoint steps that will increase return to shareholders. The European Fund is expected to be fairly concentrated with 6 to 9 positions, with no market cap limit.

**Summary Analysis:**

***Number of Investments: 12***

**Organization:**

- Breeden's European team based in London consists of: Ben Barnett, Ed Storey, and Guy Anderson. Back-office operations and trading will still be conducted in the US.
- Breeden European Capital Management has registered with the FSA (Financial Services Authority) as an investment adviser, with intentions to be an investment manager eventually (as dictated by the growth of the firm).
- Breeden European Partners (California) LP is also registered with the SEC as advisers in the US and sub advisers in Europe.

**Philosophy/Process:** No material changes.

**Performance Analysis:**

Breeden Europe is still in the beginning stages of building its European portfolio (target of 10-15 holdings). Given the young age of the fund, the manager indicated it will continue to look for attractive opportunities. Wilshire will continue to monitor the portfolio activities.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Breeden European Partners**  
Fourth Quarter 2010

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 12/31/2010		
	YTD	2009*
Breeden European	-31.82	-29.20
MSCI Developed Europe	4.49	59.93
Excess Return	-36.31	-89.13

\* Full-quarter performance started 6/30/2009

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Governance for Owners**

Fourth Quarter 2010

**Investment Type:** European Corporate Governance Fund

**Inception Date:** October 2006

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 300.1 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 265.7 million

**Investment Strategy:**

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

**Summary Analysis:**

***Number of Investments: 18***

Organization:

- During the quarter, GO expanded the team and announced the appointment of Tim Walkley as Deputy Finance Director. Tim joins GO from Hermes Focus Asset Management where he was the Finance Director for six years. Patrick Basiewicz joined the GO investment team as an Investment Analyst working on the GO European Focus Fund. Before joining GO, Patrick spent two years working for UniCredit CAIB Securities. Further, Yoichiro Iwama also joined the GO Board as a Non-executive director. He is Chairman of the Japan Securities Investment Advisers Association.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Governance for Owners**

Fourth Quarter 2010

**Performance Analysis (Continued):**

GO out-performing the European market for during the 4<sup>th</sup> quarter by 9.4%. During the quarter, the fund was up 15.9% versus the 6.5% for the FTSE All World Developed Europe Index. For 2010, the fund has returned 37.8% against a return of 11.7% on the benchmark index. Stock specific factors for individual holdings are discussed in the following section. Performance this quarter brought the since inception performance to -2.8% versus -3.2% for the index.

As mentioned previously and reiterated here, there has been a subtle shift in investment philosophy with an emphasis on companies with a strong core business, whereas in the past GO would invest in middling businesses where the opportunity for engagement was present. This raises the bar on the stocks which might end up in the portfolio. The resultant performance this year indicates that it has been a positive change, but as with any change in investment philosophy, it is worth careful scrutiny. Given the most recent performance, it is reasonable to say that this shift has improved the outcome of the portfolio performance.

<b>Calendar Year Performance (%)</b>				
<b>As of 12/31/2010</b>				
	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Governance for Owners	28.86	39.02	-53.14	7.06
FTSE All World Europe	4.93	38.73	-46.99	15.47
Excess Return	23.93	0.29	-6.15	-8.41

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Lazard Korea Corporate Governance Fund**  
Fourth Quarter 2010

**Investment Type:** Korean Corporate Governance Fund

**Inception Date:** May 2008

**Capital Commitment:** \$100 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 100.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.1 million

**Market Value (12/31/10):** \$ 83.7 million

**Investment Strategy:**

The Fund's strategy is to add value by investing in small and mid-sized Korean companies that are undervalued with significant room to improve governance principles and practices. The Fund has a unique and exclusive relationship with the Center for Good Corporate Governance (CGCG), whereby the CGCG provides strategic advice regarding the engagement of a targeted company. Notably, the Fund will pursue its objective through a collaborative discussion between company management, the Fund and other shareholders, rather than a confrontational approach. The Fund feels that the Korean market is particularly well-suited to a corporate governance approach to investing as many companies have poor governance practices and the country trades at a discount to other similar markets as a result.

**Summary Analysis:**

***Number of Investments: 20***

**Organization:**

- One of the five team members stationed in Korea left to pursue other opportunities. Lazard added a junior analyst to its team during the quarter and is looking to add another in the near future.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Lazard Korea Corporate Governance Fund**  
Fourth Quarter 2010

**Performance Analysis:**

The Korea Corporate Governance Fund generated a return of 2.4% for the fourth quarter of 2010 underperforming the KOSPI, which returned 10.0%. The fund is up 29.2% versus 25.1% over the index for the year to date. The negative performance can be attributed from Lazard's holdings in Hansol Paper, Huchems, and LG Innotek. Despite these set-backs, tension with North Korea is finally subsiding. Lazard feels optimistic in their new positions in Namyang Dairy, Daehan Steel, and Insun Ent. Lazard remains positive about the Korean market and their current position levels. Their corporate governance is finally paying off as evident in their work with Taekwang Industrial and finally exposing the corruption scandal going on to the public. They will continue to take a proactive approach in corporate governance and seek value in their respective portfolio when available.

Calendar Year Performance (%) As of 12/31/2010			
	YTD	2009	2008*
Lazard Korea	29.55	11.11	-40.83
KOSPI	25.92	65.67	-48.02
Excess Return	3.63	-54.56	7.19

\* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Cartica Capital Partners, LP**

Fourth Quarter 2010

**Investment Type:** Emerging Markets Corporate Governance Fund

**Inception Date:** December 2009

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 25.7 million	\$ 161.4 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (12/31/10):** \$ 240.0 million

**Investment Strategy:**

CCPLP will pursue a long-only investment strategy in emerging markets with investment in both public and private equity. The portfolio will target companies with enterprise values between USD \$100 million and \$2 billion and CMLLC will use a “relational” investment approach, working cooperatively with management. It is expected that public equities will comprise approximately 70% of the portfolio. The private equity portfolio will generally be focused on pre-IPO situations and CMLLC expects to avoid turnaround or distressed situations. The target market cap range for private transactions is slightly lower -- \$80 million to \$1 billion. CCPLP's goal “is to realize significant returns by identifying companies with the greatest potential for increased value once they implement governance enhancement policies tailored to the specific circumstances of the individual company and financial market.”

**Summary Analysis:**

***Number of Investments: 6***

**Organization:**

- no organizational or personnel changes to report this quarter.
- Toward the end of Q1 2010, Cartica launched on-shore and off-shore funds which will invest pari-passu with the CalPERS investment. While they have been focused on deploying capital, they have reached out to larger institutional investors and have a goal of raising \$100-200 million in additional commitments in 2010 to 2011. Several investors have expressed interest but there continues to be little visibility into the timing of potential investments. The impressive performance start for the fund should provide a significant tailwind for business development into the new year.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Cartica Capital Partners, LP**

Fourth Quarter 2010

**Performance Analysis (Continued):**

The since inception performance continues to be substantially positive with a return of 87.9% versus the index return of 25.8%. The one year performance is also strong with a return of 77.7% versus the index return of 16.9%. Cartica added an additional position during the quarter and continues to look for ways to enhance the diversification of the portfolio by industry and country.

Cartica believes they are on target to be fully invested within the year and have a number of ideas to increase the holdings in the portfolio as well as the diversification by country.

<b>Calendar Year Performance (%)</b>		
<b>As of 12/31/2010</b>		
	<b>YTD</b>	<b>2009*</b>
Cartica	73.73	8.10
FTSE AW EM Index	19.81	8.93
Excess Return	53.92	-0.83

\* Full-quarter performance started 12/31/2009